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CRITICAL ECONOMIC SITUATION IN AFRICA: UNITED NATIONS  
PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND  
DEVELOPMENT 1986-1990

Letter dated 28 September 1987 from the Head of  
the Delegation of Zambia to the forty-second  
session addressed to the Secretary-General

I have the honour to request you to circulate the attached document entitled "Africa's Preliminary Assessment of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990" as an official document of the General Assembly, under agenda item 21.

(Signed) Luke MWANANSHIKU  
Minister for Foreign Affairs of Zambia  
Representative of the Current  
Chairman of OAU  
Chairman of the OAU Permanent  
Steering Committee

ANNEX

Africa's Preliminary Assessment of the Implementation of the  
United Nations Programme of Action for African Economic  
Recovery and Development 1986-1990: Document presented at  
the tenth ordinary session of the Permanent Steering  
Committee of the Organization of African Unity, held from  
21 to 25 September 1987 in New York

I. INTRODUCTION

1. In response to the call by African heads of State and Government made at the twenty-first session of the Organization of African Unity (OAU), the thirteenth special session of the General Assembly was convened to discuss exclusively the critical economic situation in Africa. That session of the General Assembly adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (resolution S-13/2 of 1 June 1986, annex). The United Nations Programme of Action was based on the priorities and policies that African countries had committed themselves to in Africa's Priority Programme for Economic Recovery 1986-1990 (A/40/666, annex I, declaration AHG/Decl. 1 (XX'), annex), and clearly spells out what was expected from African countries on the one hand and the international community on the other.

2. In adopting the Programme of Action, the General Assembly emphasized that it was based on mutual commitment and co-operation and consisted of two central elements:

"(a) The determination and commitment of the African countries to launch both national and regional programmes of economic development as reflected in Africa's Priority Programme for Economic Recovery 1986-1990 adopted by the African Heads of State and Government in July 1985;

"(b) The response of the international community and its commitment to support and complement the African development efforts."

3. With the objectives of laying the foundation for durable structural change, improving levels of productivity and ensuring the rapid recovery of the African economies, while at the same time enhancing long-term development projects, the African countries committed themselves, at the national level, to instituting immediate and medium-term measures for agricultural development, combating food emergencies and increasing levels of agricultural productivity and production. They also committed themselves to taking other measures in support of agriculture, such as rehabilitation and development of transport and communications, trade and finance. Other commitments included combating drought and desertification, development and effective utilization of human resources, and instituting policy reforms embracing such areas as improved management of the economy, exchange rate adjustment, debt-relief arrangements, wage and salary adjustments, and a public employment freeze.

4. For its part, the international community recognized that the African countries needed additional external resources. In this context the international community "committed itself to making every effort to provide sufficient resources to support and supplement the African development effort; it also appreciated that the realization of Africa's development efforts would be greatly eased if the flows of external resources were predictable and assured".

5. In more specific terms, the international community committed itself to improving the quality and modality of external assistance and co-operation, improving the external environment, supporting Africa's policy reforms and to assisting African countries in their efforts to deal with their financial constraints, including the debt-service burden.

6. Within the framework of international commitment and co-operation, the African countries expected concrete and substantial support from the international community. As a matter of fact, the African countries estimated that the full implementation of the Priority Programme would require total financial resources of \$US 128.1 billion, of which the African countries intended to provide \$US 82.5 billion or two thirds of the total cost, through the mobilization of domestic resources. The international community was expected to provide the balance of \$US 45.6 billion, or one third, of the total cost. This balance was critical for the full and effective implementation of the Priority Programme and the United Nations Programme of Action.

7. The purpose of this assessment is to undertake a preliminary review of the implementation of the United Nations Programme of Action within the context of the prevailing socio-economic environment. This assessment emphasizes the need to take effective and timely measures for the implementation of the Programme of Action. Finally, suggestions are made for preparatory mechanisms for a review and appraisal of the implementation of the Programme that is to be undertaken by the General Assembly at its forty-first session in 1988.

## II. ENVIRONMENT IN WHICH AFRICAN COUNTRIES ARE MAKING EFFORTS TO IMPLEMENT AFRICA'S PRIORITY PROGRAMME FOR ECONOMIC RECOVERY 1986-1990 AND THE UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990

8. With the adoption of the United Nations Programme of Action it was expected that the international community would promote the creation of a favourable international environment within which the African recovery programme would be implemented. Regretfully, this has evidently not been the case. The national and international environment has in many respects worsened, with the consequence that the capacity of African countries to implement the programme fully has been undermined. Some of the most important factors adversely affecting the implementation of the recovery programmes include the following: increasingly deteriorating terms of trade of the African countries, drastically reduced resource flows to Africa, the excruciating escalating debt burden afflicting African countries, natural disasters and the destabilization policies of the apartheid

régime of South Africa. The combination and cumulative effects of these factors have driven some African countries near to economic collapse. Real interest rates have continued to be high, protectionism in industrial countries is still the prevailing policy and the cost to Africa of interest payments continues to soar. In addition, the budgetary allocations to the United Nations system and more particularly to the specialized agencies have been reduced drastically, thus limiting the capacity of these agencies to make the necessary contributions to Africa's recovery programmes.

9. Among the factors mentioned above that have adversely affected the implementation of United Nations Programme of Action, the following deserve special mention.

**A. The collapse of commodity prices and deterioration of trade**

10. The collapse of commodity prices on the world market, coupled with the relatively sluggish demand for African primary exports, have worsened the balance-of-payments situation of African countries. While the combined effect of collapse in commodity prices and debt-service payments in 1985 was estimated at more than \$40 billion, earnings from export commodities of interest to Africa declined by 29 per cent between 1985 and 1986, representing a loss of about \$20 billion, resulting in a worsened current account deficit from \$7.1 billion in 1985 to \$21.5 billion in 1986. a/ The situation continues to be aggravated by protectionist measures, policies and practices such as subsidies, tariff and non-tariff barriers that restrict access of African products to the markets of the developed countries. This is compounded further by the activities of transnational corporations, which continue their malpractices of manipulation of commodity prices, over-invoicing of imports and under-invoicing of exports. For Africa as a whole, the terms of trade deteriorated by 28 per cent in 1986, and the purchasing power of exports deteriorated by about 30 per cent during the same period.

**B. Reduced resource flows to Africa**

11. In addition to the large losses of external resources inflicted upon the African countries owing to the decline in export earnings, particularly commodity prices and, including oil prices, and the deteriorating terms of trade, the African countries suffered a stagnation of official development assistance (ODA) and a decline in export credits and private flows, in spite of the measures undertaken by them to attract private flows, including foreign direct investment. Part of this paucity of resources was due to the fact that external resource flows became increasingly tied to the structural adjustment programmes and the need to meet debt-servicing obligations.

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a/ IMF World Economic Outlook, April 1986. Joint statement of the African Governments at the Joint IMF/IBRD Meeting, September 1987, and ECA.

**C. The excruciating debt burden of African countries**

12. The debt burden has engulfed practically all African countries in recent years. It is not only its magnitude that has been disturbing, but it is also its rate of increase and the debt-service burden on the economy as a whole that has become worrisome. The Economic Commission for Africa (ECA) has estimated conservatively that the total external debt of Africa was \$200 billion by the end of 1986. This constitutes 44 per cent of GDP. At the same time, debt-service obligations were estimated to range between 100 to 300 per cent and almost 200 per cent of export earnings. On the average, debt-service ratios have exceeded 38 per cent and are much higher for low-income African countries. According to the International Monetary Fund (IMF) statistics, Africa paid out \$20.5 billion in 1985, while it received only \$0.8 billion in new loans and IMF credits.

13. With debt-service payments taking up about 38 per cent of Africa's earnings from the export of goods and services, the implementation of national priority programmes was very much jeopardized. In certain cases disbursements by the World Bank to all Bank-funded projects were suspended, even though there was failure to meet the loan account of only one project.

**D. Natural disasters**

14. Despite the arrival of ample rains during the 1985/86 rainy season in different parts of Africa, there are reports that drought conditions still persist in different regions of Africa. A large number of African countries are still stricken by drought and desertification, making them subject to the arid conditions that constitute a formidable obstacle to economic and social development since they limit agricultural production and productivity, and raise the spectre of famine.

15. In 1983 and 1984, the drought persisted in the Sudano-Sahelian belt and spread through eastern and southern Africa. By late 1985, however, rains returned in many of the drought-stricken countries, though in some cases in the form of severe storms, heavy floods or torrential rain. These disasters have caused much damage in terms of crop loss, destruction of physical infrastructure and transport problems.

16. In addition to these problems, other natural disasters have also emerged. Grasshoppers, locusts and field crickets have reportedly invaded several African countries. Deforestation has also emerged as another problem affecting a large number of African countries.

**E. Effects of the policies of destabilization of the racist South African régime**

17. In southern Africa, the situation is further aggravated by the acts of destabilization committed by the apartheid régime. The policy of economic and military destabilization followed by the racist minority régime has caused enormous

loss of human life and property. The diversion of resources required for economic development to defence spending, the disruption of economic production and the destruction of infrastructure and the problem of refugees and displaced persons - all these negative factors have contributed to lost economic growth.

III. WHAT AFRICAN COUNTRIES HAVE DONE TO IMPLEMENT AFRICA'S  
PRIORITY PROGRAMME FOR ECONOMIC RECOVERY AND THE UNITED  
NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC  
RECOVERY AND DEVELOPMENT DURING 1986-1987

A. Action at the national level

18. Although one or two years is too short a period of time to permit any meaningful statement on changes of the scale contemplated in these two Programmes, it is worth noting, however, that reports reaching the Secretariat of the Organization of African unity (OAU) have indicated that policy reforms are taking place all over Africa. Recent surveys by the OAU and ECA Secretariats indicate that as many as 28 countries have undertaken broad policy reform and adjustment measures, with the objective of mobilization and efficient utilization of resources to implement the Priority Programme. Such measures have included improvement of national economic management; rationalization of the public sector, particularly the parastatals; enhancing the efficiency and performance of the economy, especially the civil service and the parastatals; reduction of the share of the public sector as a proportion of GDP; adjustment of exchange rates; and fiscal reform measures.

19. In terms of sectoral priorities, the food and agriculture sector has been accorded highest priority in practically all African countries. In a recent survey conducted by ECA, of the 38 countries responding practically all had instituted measures for food security and emergency preparedness, alongside early warning systems. In addition to these, the survey also indicated that measures have been taken in several areas to increase agricultural production and productivity. For example, 9 per cent of the countries responding have introduced measures for the development, dissemination and encouragement of the use of modern inputs and methods; 36 per cent had adopted price incentives of agricultural products, while 85 per cent have started reforestation programmes. Other programmes initiated include controlling deforestation (75 per cent), protection of the environment (67 per cent) and introduction of agricultural production (67 per cent). The list of measures taken in this sector is not exhaustive.

20. Measures taken in support of the food and agriculture sector include the following: allotment of a larger share of appropriations, fixing of remunerative prices for farmers, reduction of subsidies and introducing flexible price-fixing procedures, the provision of inputs and the liberalization of domestic markets. In the industry sector, measures have been taken to rehabilitate and upgrade the existing industrial plants, manufacture and maintain agricultural tools and implements, and repair and maintain irrigation equipment. In addition, efforts have been made to develop small and medium-scale industries, entrepreneurship and training.

21. In the transport and communications sector, activities undertaken have concentrated on the development and maintenance of feeder and access roads, particularly those which provide interconnection between African countries such as the Cairo-Gaborone and Lagos-Mombasa Trans-African Highways. As regards telecommunications, African countries have continued to implement the Panaftel network aimed at linking national with international networks, especially in the western, eastern and southern regions. Maintenance and upgrading programmes for existing communications facilities have continued to be provided to ensure continuous and effective service.

**B. Action at the subregional, regional and continental levels**

22. Efforts at these levels have included the following:

(a) The Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS), at its last meeting in June 1987, pledged to undertake a West African-wide joint programme to bring about the economic recovery of the region. Such a programme includes control of drought and desertification, food security, water resources development and management, to mention only a few areas of activity;

(b) The Preferential Trade Area (PTA) has promulgated its programme along the lines aimed at promoting the implementation of the recovery programme;

(c) The Southern African Development Co-ordination Conference (SADCC) has also focused its activities on fostering closer co-operation among the member States to reduce their economic dependence on South Africa, and on counteracting the effects of the destabilization policies of South Africa, particularly in the fields of food security and transportation;

(d) An African Ministerial Conference on the Environment was held at Cairo in December 1985 under the auspices of OAU, the United Nations Environment Programme (UNEP) and ECA. The Conference adopted a five-year programme of action aimed at ensuring the attainment and maintenance of self-efficiency in food and energy;

(e) In January 1986, heads of State and Government of Djibouti, Ethiopia, Kenya, Somalia, the Sudan and Uganda met in Djibouti and established an Intergovernmental Authority on Drought and Development (IGADD) in East Africa. That body is already functioning and has adopted an elaborate programme of work to combat drought and desertification as well as to promote development in the region;

(f) An Extraordinary Ministerial Conference of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS) met at Dakar in January 1986 and decided to streamline the co-ordination of national policies of member countries in respect of rural development and the struggle against desertification;

(g) In November 1985, the Ministerial Conference held at Dakar agreed on a joint policy and programme of action aimed at combating desertification, ensuring

regional co-operation, and reorganization and revitalization of the relevant infrastructure in the regions covered by the CILSS, ECOWAS and Maghreb countries, Egypt and the Sudan;

(h) In the area of technical co-operation among developing countries, a project preparatory meeting was held at Tunis in April 1987 that resulted in the adoption of 213 projects benefiting 17 African countries. A similar meeting is expected to take place at Cairo;

(i) International conferences, regional seminars and congresses were held in Africa in 1987 to make a critical review of the efforts undertaken by African countries in implementation of the Priority Programme and the Programme of Action. Among these were the international conferences held at Abuja, Nigeria, the First Congress of African Scientists held at Brazzaville and the regional seminar held at Mombasa, Kenya.

23. The sacrifices that the African countries have made to implement the recovery programme cannot be over-emphasized. In the process of implementing programmes of economic reform and related adjustment measures, these countries have encountered social and economic problems. For instance, in several African countries, the benefits to be derived from structural adjustment measures have been questioned sharply. Prominent among these are massive increases in unemployment, especially the lay-off of workers in the public sector; the reduction of real wage rates; increased inflation and inflationary pressure; and drastic reductions in imports. The social consequences of these programmes are threatening the very foundation of African social and cultural structures. This has been so because of the reduction in income levels and living standards, as well as the failure to meet the development and growth objectives that had been set.

24. However, these economic policy reform measures are predicated upon expected resource flows from the international community and an improvement in the international economic environment. So far, these international resource flows do not seem to be forthcoming, at least on the scale indicated in the United Nations Programme of Action. This situation has created uncertainties and frustration among African countries.

#### IV. ACTION ENVISAGED FROM THE INTERNATIONAL COMMUNITY TO IMPLEMENT ITS COMMITMENTS UNDER THE UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT

25. Section IV of the present document examines what actions have been taken in these areas, and urges the international community during the remaining period of the United Nations Programme of Action fully to discharge its commitments in support of African economic recovery and accelerated development. It was envisaged that the international community would provide substantial and concrete assistance and support to Africa's effort to implement the Programme of Action in the following areas, namely:



(a) Improvement in the quality and modality of external assistance and co-operation, including in particular greater emphasis on programme support in the priority areas and an increase in the concessionality of development assistance to African countries;

(b) Improvement in the external environment, especially the formulation and implementation of policies for sustained, equitable and non-inflationary growth, and the urgent discussion of commodity issues;

(c) Support for Africa's policy reforms, especially through greater programme lending from both bilateral and multilateral sources, stemming out-flow of resources from Africa, increasing the resources of multilateral institutions such as the International Development Association (IDA) and the International Fund for Agricultural Development (IFAD). etc;

(d) Taking measures to alleviate Africa's debt burden in order to enable the African countries to concentrate on the implementation of their priorities. In that connection, existing debt mechanisms should respond flexibly and be improved as appropriate.

A. Improving the quality and modality of external assistance and co-operation

26. In Africa's submission to the special session of the General Assembly devoted to the critical economic situation in Africa in May 1986, the external financial needs for the implementation of the recovery programme were estimated at \$9.1 billion annually, while the external debt-servicing requirements were assessed at \$14.6 billion annually. Thus, the total annual external resource requirements for the implementation of the Priority Programme stood at approximately \$24 billion. Although there were no formal commitments to these estimates, the international community, none the less, was categorical in its recognition of African countries' need for additional external resources.

27. The estimates were based on the 1985 price level, so that in terms of current price levels, coupled with the falling value of the United States dollar, these amounts really understate current financial needs for the implementation of the Priority Programme.

28. The international community has failed to respond effectively and promptly in providing substantial and concrete assistance to African countries. The ODA flows, which are the primary source of external assistance to Africa, were estimated to be only \$13 billion in 1986, and in real terms this reflected a stagnation compared to 1985. In terms of the accepted target of ODA flows from countries of the Development Assistance Committee (DAC), the ODA/GNP ratio is far from reaching the 0.7 per cent target level for the groups as a whole. However, members of the Organization of Petroleum Exporting Countries (OPEC), Norway, the Netherlands, Sweden and Denmark have reached or surpassed the set target.

29. The developed countries, including the East European countries, should substantially increase quick-disbursing financial assistance on concessional terms (ODA) to African countries, so as to reach as a matter of priority the internationally agreed target of 0.7 per cent of GNP. The ODA should recognize the long-term nature of adjustment and multi-year indications of development assistance should be instituted in favour of African countries.

30. These measures have to be implemented as a priority in order to enable African countries to relaunch their programmes for economic recovery and development with greater certainty.

31. The dwindling of private flows and export credits to African countries is of serious concern, especially at a time when Africa is in serious need of external resources. The developed countries are urged to take urgent action that will facilitate and encourage a resumption of or increase in export credits and private financial flows to African countries, especially to the sectors and areas in need, to cover such items as spare parts, agricultural and industrial rehabilitation, etc. The multilateral financial institutions should assist in creating conditions that are conducive to increasing flows of financial resources to African countries from private sources, especially in cases where the countries have implemented adjustment and policy reforms.

32. A further aspect of resource flows concerns reverse net resource transfers from Africa. For example, IMF has become a net recipient of resources from African countries. It has been estimated that, through repurchases in 1986 alone, African countries transferred to IMF an estimated amount of over \$960 million. It is therefore a matter of grave concern that African countries should be transferring such large amounts of money to IMF at a time when these countries are in dire need of increased external financial resources. If this situation is allowed to continue, then even the new structural adjustment facility of IMF (or other similar facilities) will have no real meaning. The donor community still acts and behaves as if the commitment under the United Nations Programme of Action were no longer valid; the rigidities and dogmas of their institutions and procedures, both bilateral and multilateral, are still allowed to constitute a stumbling block to effective and additional resource transfers to Africa. IMF and the World Bank are therefore called upon to increase substantially their concessional lending to Africa within the context of the adjustment programmes that they have instituted. IMF should in particular relax its conditionalities in order to increase its assistance to African countries effectively and to reverse the trend of net resource out-flow from Africa to the Fund.

#### B. Improvement in the external environment

33. From an African perspective, the major issue in the international environment is the extreme vulnerability of African economies to developments in that environment. African economies depend largely on the production and export of a small range of agricultural and mineral products, the prices of which are determined and manipulated by institutions and forces beyond the control of Africa. These external forces also determine the value of international currencies

without the participation of African producers. Furthermore, the raw-material-importing countries unilaterally determine the amounts and character of permissible imports - whether in the raw or processed stage - and thus exercise effective control over the nature, magnitude and direction of foreign exchange earnings of African countries. The international community has failed to take concrete action to exert any positive influence over these factors in favour of African economic recovery.

34. The only positive developments that have occurred are the launching of the Uruguay round table of multilateral trade negotiations and the successful negotiation of new commodity arrangements (such as the cocoa and rubber agreements), as well as progress in the ratification of the Agreement on the Common Fund for Commodities. In spite of these modest developments, however, it is possible that, in the very long run, the international environment will remain hostile to the commodity-based economies of the African countries. Policies of industrial countries relating to national strategic stockpiles, the production of synthetic substitutes and the use of frontier technologies pose serious threats to African economies. Unfortunately, these issues have not yet been included in current negotiations.

35. Apart from the policies pursued by the developed countries and their impact on African economies, there is also the problem of global economic management. The developed countries are urged to strive towards greater co-ordination and harmonization of their macro-economic policies and to take action aimed at the maintenance of exchange rate stability and reduction in real interest rates.

36. Regarding the question of international monetary and financial systems, several important matters have yet to be tackled and/or agreed upon. Issues include the relative lack of an effective role for African countries in making decisions concerning the operations of these systems; the exclusive control and manipulation of the systems by a few powerful nations that refuse to change the rules of the game; and the impact of the decisions concerning the value of the major currencies on the open African economies. Indeed, there are no signs of improvement in or reform of the international monetary and financial systems, or of the institutions that control and manipulate those systems.

37. The international community should take concrete action to improve the external environment and make it supportive of the recovery and growth process in Africa. To this end:

(a) The developed countries should take immediate action to stabilize exchange rates and reduce real interest rates, and should pursue policies that promote non-inflationary growth, including policies that increase access for African products into their markets. In this connection, the developed countries are called upon to implement the standstill provisions fully and to roll back all protectionist measures as agreed at the 1983 ministerial meeting of the General Agreement on Tariffs and Trade (GATT);

(b) International co-operation should be strengthened in the areas of production, diversification and processing of raw materials as well as in their

marketing and distribution. In this connection, the developed countries are called upon to assist African countries with adequate financial and technological resources so as to enable them to process their commodities and to increase value-added and end uses;

(c) The international community, especially the major commodity consumers and producers, are called upon to initiate immediate action aimed at strengthening the existing commodity agreements and negotiating new ones in order to improve the prices for the commodities concerned. Improvement and stabilization of overall commodity export earnings should also be given priority attention and a global scheme for this purpose should be established;

(d) Resources under operational programmes in Africa should now be directed to addressing problems in the priority sectors of food and agriculture and the supporting sectors. In this connection, emphasis should be given to the quality of assistance to effective delivery and direct benefit to African countries, and to reducing high personnel and administrative components drastically;

(e) The problems of the least developed countries should continue to receive high priority and the developed countries are called upon to increase the flow of resources to African least developed countries so as to attain the UNDP target of 0.15 per cent by 1990, as agreed at the mid-term evaluation of the Substantial New Programme of Action.

### C. Support for Africa's policy reforms

38. African countries have formulated and implemented, at great cost, adjustment programmes and policy reforms. They have pruned down the size of the public sector, privatized public enterprises and taken action to increase agricultural production, through increased incentives, abolition of price controls, etc. Not less than 28 African countries have implemented programmes of this nature with the support of the World Bank or IMF. While there have been some noticeable improvements in agricultural and food production, the socio-economic costs have been very high due to the fact that these structural adjustment programmes have generally emphasized demand management and the achievement of short-term balance-of-payments equilibrium. There has been drastic reduction in general income levels and in the purchasing power, increase in import prices (due to devaluation) and gross underutilization of installed industrial capacities.

39. The efforts of African countries have not been supported adequately by the international community; external financial resource inflows have failed to match those efforts and there have been cases where IMF/Bank supported programmes have been abandoned because of the excessively stringent conditions attached. There has been a failure, especially on the part of the donor community and the multilateral financial/monetary institutions, to recognize that Africa is still facing a crisis and to modify conditions, procedures and objectives accordingly.

40. If African countries are unable to meet their payment obligations to IMF and the World Bank on any one project, they are usually penalized by the suspension of disbursements on all other projects and consequent blacklisting.

41. The international community, and in particular the developed countries, are called upon to increase their contributions to IMF and the World Bank in order to enable them to increase their support to African countries in the implementation of their priority programmes. While appreciating the mobilization by IFAD of \$220 million for the Special Programme for Sub-Saharan Africa, the developed countries are called upon to increase their contribution to IFAD so as to reach the target of \$300 million.

#### D. Africa's external debt

42. In spite of the serious efforts deployed by the African countries to tackle their external debt problem, the situation continues to deteriorate. The ratio of Africa's external debt to exports of goods and services has reached intolerable levels, rising from 190 per cent in 1985 to about 277 per cent in 1986; the servicing of this debt claimed more than 35 per cent of Africa's exports of goods and services in 1986. The external debt problem of African countries has become so serious that the heads of State and Government of the OAU countries decided at their twenty-third session, in July 1987, to discuss this problem in an extraordinary session before the end of 1987 and to adopt a common African position on the matter.

43. The debt-relief measures adopted so far by the developed creditor countries have not addressed the core of the problem adequately. Rescheduling of official debts by the Paris Club has not resulted in a reduced burden as interest rates and commitments fees continue to be high. The debt-service obligations to IMF continue to be a serious burden on African countries, since IMF does not normally reschedule payment obligations due to it. Besides, failure to meet those obligations normally results in immediate suspension of disbursements and the blacklisting of the countries concerned, and the countries so blacklisted are then automatically disqualified from seeking debt rescheduling. There is an urgent need to take concrete action concerning their stringent conditionalities, especially those of IMF.

44. Some donor countries have taken action to cancel official bilateral debts owed to them by African countries; others have announced their intention to do so. This is highly appreciated and should be emulated by all creditor countries. It is important to stress that in order to have full impact such debt cancellation should not be linked to the implementation of IMF/Bank-supported adjustment programmes that are themselves accompanied by several restrictive conditions and are directed at achieving short-term balance-of-payments equilibrium.

### 1. Recent developments

45. Some initiatives designed to address Africa's external debt problem and the related problem of resource flows have been announced, proposed or taken by certain countries. Nevertheless, the international community has failed to demonstrate the necessary political will to implement the relevant resolutions of the General Assembly and the United Nations Conference on Trade and Development (UNCTAD) on debt relief and the transfer of resources or to provide effective support and positive response to Africa's economic recovery effort, as agreed in the United Nations Programme of Action.

46. It is important and necessary that all these initiatives be formally tabled, discussed and assessed within a multilateral framework, with the effective participation of African countries, to ensure that due account is taken of the special situation of African countries.

### 2. Eighth replenishment of the International Development Association resources

47. The eighth replenishment of the resources of IDA reached \$12.4 billion in 1986. This action is welcomed, but clearly the amount is inadequate. Africa is however appreciative of the decision of donors to allocate 50 per cent of these resources to support development investments and adjustment operations in sub-Saharan Africa. In this connection, it is important that adjustment operations take new forms, based on the promotion of growth objectives, rather than improved demand management, and that the terms of IDA loans be bettered, with longer repayment periods.

### 3. Resources of the International Monetary Fund

48. Regarding resources of IMF, urgent action should be taken to increase the resources allocated to the structural adjustment facility; consequently, the Fund management and donor countries should expedite the arrangements on additional aid resources and structural adjustment facility loans. There is also an urgent need for streamlining and simplifying procedures under the structural adjustment facility, in recognition of the fragility of the economies of facility-eligible countries and their low levels of income. Similarly, the tightening of conditions for use of the compensatory financing facility, which was particularly marked in 1986, should be reversed in order to allow African countries access to that facility. The international community must act with determination and a change of attitude on the issue of structural adjustment facility allocation, with a view to ensuring that the liquidity needs of African countries become a major factor in the allocation.

49. For the effective implementation of the recovery programmes, the international community has to recognize the interrelationship of factors such as the availability of external resources to Africa (largely on concessional terms), the export-earning capacity of African countries (especially from primary commodities),

the rate of African economic growth and external debt-servicing obligations. The interlocking cause and effect relationships among all these factors make it imperative that comprehensive solutions be found in order for these solutions to have real lasting impact. In this context, it is imperative that the international community should adopt new and concerted approaches to deal with Africa's debt problem. As a starting point, the approach should involve new and more effective dialogue and consultations between African debtor nations and all their creditors, bilateral, multilateral and private, on the basis of shared responsibility and within a strategy geared towards growth and development. This is the only effective way by which African countries, all of whom have stated their determination to honour their debt obligations, can in fact be assisted to make good that commitment.

50. In view of the intractable nature of Africa's external debt problem, its reduced ability to meet its external debt-service obligations and the impossibility of implementing economic recovery programmes while at the same time servicing external debt, the creditor countries and institutions must take concrete steps to alleviate the African debt problem as a matter of urgency. The measures to be taken should cover all categories of loan, bilateral, multilateral and private commercial.

51. In view of the increasing seriousness of the problems African countries are experiencing as a result of the excruciating debt burden, the Assembly of Heads of State and Governments of OAU, at its twenty-third session, decided to convene a special session to deliberate on and adopt a common African position on Africa's external indebtedness. Africa has since 1985 been trying to persuade the international community to agree to the convening of an international conference on Africa's external indebtedness. The African debt situation is continuing to worsen and requires urgent action on the part of the international community.

52. While not prejudging the outcome of the OAU summit, it is necessary for the international community to be seized of the situation and to implement immediate measures to alleviate Africa's external debt with a view to enabling African countries to utilize resources otherwise being transferred for debt repayments.

53. In this respect, the international community, particularly creditor countries and international financial institutions, as well as private banks, are urged to devise measures to deal with Africa's official and officially guaranteed debts, commercial loans, loans from the World Bank and credits from IMF. The multilateral financial institutions, in particular IMF, are also urged to increase resource flows to African countries under concessional conditions and to consider restructuring their financial obligations, including the easing of conditionalities. These measures should further improve on agreements arrived at in other international organizations, particularly UNCTAD.

54. In this context there is urgent need to implement all prior agreements to deal with the debt of the least developed countries. This is of special importance to Africa since the majority of African countries are classified in this category. There is also need for the Paris Club members to review the modalities and requirements of reschedulings with a view to providing African countries with lower

real interest rates, longer grace periods, longer repayment periods and larger grant elements. The creditor countries and commercial banks are further urged to ensure that debt-rescheduling methods applied should not impose any burden and should take into account each country's repayment capacity and its developmental needs and investment requirements. Finally, it is important that the international community provide immediate debt relief to all African countries.

**V. DEVELOPMENT OF A PREPARATORY MECHANISM FOR THE REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990**

55. Part III of the United Nations Programme of Action is devoted to follow-up and evaluation mechanisms. It is recognized that the effective implementation of the Programme will require a continuous process of follow-up, evaluation and co-ordination at all levels. It is also emphasized that whatever new mechanism is put in place should be simple, operational and not involve substantial additional expenditure.

56. At the national level, Governments are expected to set up national follow-up mechanisms. Most African countries have already defined such mechanisms and a number are already operational.

57. At the regional level, the heads of State and Government of the OAU countries have already designated the OAU Permanent Steering Committee as the appropriate organ for the follow-up and evaluation exercise at this level. During the last year the Committee has been seized with this assignment and has appropriately reported to the OAU Assembly of Heads of State and Government.

58. At the global level, the Programme of Action requests the General Assembly at its forty-second session to consider and establish such preparatory mechanisms for the review session as may be necessary. What is required in particular is the co-ordination and harmonization of all the evaluation exercises, be they at the national, regional and global levels. It is therefore imperative that the OAU Permanent Steering Committee and the United Nations Steering Committee maintain close contact in relation to the evaluation exercise. There is an acute need for a system that can bring Africa and the international community together. It will therefore be necessary for the General Assembly at its forty-second session to consider such an arrangement. To this end, it is proposed that the most effective method would be for the General Assembly to meet as a Committee of the Whole prior to the forty-third session.

**VI. CONCLUSIONS**

59. Since the adoption of Africa's Priority Programme for Economic Recovery 1986-1990 in July 1985 and the adoption of the United Nations Programme of Action by the General Assembly at its thirteenth special session, in 1986, African countries have continued with determination and perseverance to implement the



commitments they entered into in order to put the continent on the road to recovery and development. This determination is reflected in the large number of African countries implementing structural adjustment programmes and economic policy reform programmes. These programmes involve giving the highest priority to food and agriculture through the allocation of a larger share of public expenditure, price incentives to producers, reduction of subsidies and introducing flexible price-fixing procedures, the provision of inputs and the liberalization of domestic markets. The African countries also streamlined their public expenditure, reduced the size of their public service, instituted fiscal reforms, devalued their currencies and established national follow-up and evaluation mechanisms. The human and social costs of the reform packages have been very high and have involved serious political risks. It is now universally recognized that Africa has lived up to its commitments in the face of tremendous odds and obstacles.

60. The first 18 months after the adoption of the United Nations Programme of Action have seen a very hostile external environment. Were it not for the good weather conditions that prevailed in 1985 and 1986, the continent would have faced a disaster much worse than that of 1983-1984. During this period Africa's export earnings from commodities, the backbone of its economies, collapsed, resulting in a loss in 1986 alone of some \$20 billion. This situation has prompted one African head of State to declare that Africa is being punished for working hard. The external debt burden of African countries has continued to mount and the debt-service burden has become unmanageable, thus prompting the heads of State and Government of the OAU countries to decide to meet in special session in December 1987 to deliberate on the issue. The situation was further aggravated by the failure of the international donor community to provide the resources needed to support the efforts of African countries. Official development assistance has stagnated or even declined, in spite of the laudable efforts of some donor countries.

61. It is important to recall that Africa's commitment to mobilize the required resources for the implementation of the United Nations Programme of Action was closely linked to improvement in the external environment, a solution to the debt crisis and a substantial increase in resource flows. The developed countries have failed to take action in these key areas in support of the efforts of African countries, and this is a serious drawback in the implementation of the Programme. It is only if Africa can earn and retain enough from its export earnings once concrete action is taken to alleviate the debt burden and once there are additional concessional external resources that the continent will be in a position to implement its recovery and rehabilitation programme.

62. The situation on the eve of the review session of the Programme of Action is very sombre. In spite of adequate rainfall in 1985-1986, drought and desertification still persist in many regions of the continent. The structural adjustment programmes and policy reforms have been pushed by African countries to the limit. The Secretary-General is correct in his assessment that Africa's margins for manoeuvre are being reduced. In fact it can be further stated that Africa's margins for manoeuvre have been completely depleted. Every extra cent that Africa loses as a result of commodity decline or that it pays in debt service is coming out of funds that are needed for survival.

63. The developed countries are called upon to fulfil their commitments entered into at the thirteenth special session of the General Assembly as well as other commitments with UNCTAD, particularly those relating to the least developed countries, the majority of which are to be found in Africa. There is urgent need for immediate ODA to African countries and a solution to the debt-service crisis facing the African countries.

64. The debt-service burden resulting from both official and commercial loans continues to drain the continent of resources badly needed for development. It is inconceivable that in a period when Africa is implementing a programme of recovery it is experiencing a huge net transfer of resources to the developed countries in debt-service payments. The developed countries are called upon to find an urgent solution to this problem, and in particular to reverse the net transfer of resources from Africa to IMF, which amounted in 1986 to \$950 million.

65. Donor co-ordination is crucial to the success of the efforts of African countries to implement their recovery and rehabilitation programmes. There is need for the donor community to look seriously at its total efforts to assist African countries. Each donor country is urged to look at its assistance and substantial support to the African countries and the framework in which action is taken on ODA and commercial debt relief, including reschedulings, should also be considered in a comprehensive manner. At present, developed countries have maintained and pursued different policies in development assistance, debt negotiations and at the international financial institutions. All donor countries should co-ordinate their efforts in all forums with a view to further supporting and enhancing the efforts of African countries to implement the United Nations Programme of Action. There is further need to strengthen donor co-ordination and to strengthen co-operation with each African country. Developed countries are urged to review their development assistance policies to provide more programme support assistance and inputs crucial to the rehabilitation of African economies, such as spare parts and other goods.

66. The improvement of the international environment, particularly the restoration of commodity earnings to remunerative and equitable levels, is of crucial importance to the development efforts of African countries. In this respect, the developed countries are urged to take measures to improve and stabilize commodity earnings of interest to African countries through all possible means, especially through support to the UNCTAD Common Fund, the strengthening and improvement of commodity prices, and enlarging the commodity list to cover all export commodities of interest to Africa. There is also a need to give urgent consideration to the establishment of a global scheme to stabilize export earnings.

67. Peace, security and stability are necessary pre-conditions for economic development, particularly in Africa. Aggression, political and economic destabilization pursued by the South African régime against countries of southern Africa have drastic and negative impact inside those countries and constitute a serious and permanent threat to their efforts for economic recovery and development and to the implementation of the United Nations Programme of Action.

68. Finally, while Africa recognizes that the responsibility for its development rests with herself, the fate of Africa cannot be separated from that of the world. The consequences of the continued crisis in Africa will sooner or later affect the whole planet. It is in the spirit of interdependence that Africa has appealed and continues to appeal to the international community to support the continent's development efforts. It is hoped that the present session and the forty-third session of the General Assembly will provide an opportunity for the international community to translate its declared support for Africa into concrete action.

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