

CHAPTER 17 DEBT RELIEF AND INTERNATIONAL AID IN AFRICA

Objectives

After studying this chapter, students should be able to:

- explain the meaning of debt relief and international aids;
- examine the role of poverty in Africa's indebtedness;
- discuss corrupt leadership and Africa's indebtedness;
- need for debt relief and aspects of international aid.

Introduction

African countries have become indebted to their European debtors due to series of money borrowed by such African countries. The accumulated debt has reached high levels today that it has become one of the major problems facing African states.

17.1 Meaning of Debt Relief and International Aid

Debt relief means cancellation of debt or part of it that was borrowed by African countries from Europe or America. This debt was borrowed to finance some projects in Africa by African leaders.

International aid is the assistance that is given to the underdeveloped countries of Africa, Asia and Latin America by European countries and America. This aid comes in the form of cash or kind, that is in supply of materials such as food, educational facilities and drugs.

17.2 Poverty and Africa's Indebtedness

Poverty has been a major problem in Africa since the post-colonial period. It is clear that Africa has a large number of poor countries where majority of the citizens cannot even meet the basic needs of life such as food, clothes and shelter. Poverty is a problem in Africa including Nigeria. Till date agricultural production is based on the use of hoe and cutlass which does not increase output. In situations where there is drought, that area witnesses famine which results in hunger. In Nigeria today, despite the availability of crude oil resources which generates billions of naira annually, the people of the country are living in abject poverty.

The problem of Africa is more critical considering the fact that African countries depend on agriculture with little or no industrial production which leads to high level of unemployment that finally leads to poverty. It is this poverty therefore, that makes some African countries borrow money from the International Monetary Fund (IMF) which is controlled by Europe and America. There is high rate of interest charged on the debts which makes it difficult for indebted countries to pay back therefore, making such countries to continue to live in poverty. It therefore can be concluded that

borrowing from the international Monetary Fund (IMF) does not improve the conditions of Africans but rather, it makes them indebted to Europe and America.

17.3 Debts Arising from Corrupt Leadership

In some countries of Africa, corruption is a problem because it cuts across all aspects of the economy. One of the consequences of corruption is incompleteness of projects such as industries, leading to the absence of industries in Africa which produce goods for internal and international markets. In Nigeria, the second republic corruption led to budget deficit which made the government borrow money to balance up. Till date, debts in Nigeria continue to increase as different regimes continue to borrow money. The African leaders at one point engage in servicing the debt as was done by former Nigerian Military President, General Buhari while in power. Nigeria is still servicing its debt with billions of Naira.

17.4 Need for Debt Relief/Cancellation

African countries are indebted because of the money they borrowed from the International Monetary Fund (IMF). They have continued to service the loan which makes their economy backward by its inability to support the society and provide the essential social amenities and employment. Therefore, there is need for the developed countries of Europe and America under the I.M.F and World Bank to cancel the debt of Africa, so that the money used in servicing the loan can be used for development of projects which will help in the reduction of poverty, unemployment, insecurity and the general underdevelopment of Africa.

17.5 Aspects of International Aid

International aid to Africa is in cash or in kind. Europe and America through the I.M.F or World Bank donate money to developing countries of Africa with which they can use to fund some projects on education, health, agriculture and so on. On the other hand, foreign aids are given out in form of food, drugs and equipments. Food and drugs were usually supplied to Somalia which was in war crises, and even in countries not affected by war.

17.6 Aid and Continuation of Poverty in Africa

Foreign aid has been portrayed by Europe and America as an assistance given to the poor countries of the world by the developed countries. It should be noted that foreign aid is given upon conditions such as exploiting the natural resources of Africa by purchasing them at ridiculously low prices making these African countries to continually live in poverty. Leaders of the countries where aid is given is most times subject to implementing policies which are not in the interest of the people, but rather, in the interest of the lender (Europe and America). In Nigeria, it was as a result of this foreign aid that our naira was devalued which lead to the decrease in output and decline in economic growth and

development. So, in conclusion, it can be said that it is the politics of foreign aid that Europe and America has used to make Africa underdeveloped.

Summary

- Debt relief is the cancellation of foreign debt while international aid is the assistance given to the underdeveloped countries of the world.
- Africa remains indebted due to corruption which has become a major problem in Africa.
- Debt servicing which runs into billion of dollars has made African societies to continue to live in poverty.
- Debt cancellation is needed in Africa so to foster developmental programmes which will reduce poverty and underdevelopment.
- Foreign aid comes in either cash donation or in kind, that is, provision of food and drugs and other equipments.
- Foreign aid has continued to make African countries underdeveloped.
- Europe and America exploit the resources of Africa and make the countries implement policies that are not in the interest of the people such as devaluation of currency.

Objective Questions

1. Debt relief means _____.
 - A. borrowing of foreign debt
 - B. payment of foreign debt
 - C. servicing of foreign debt
 - D. cancellation of foreign debt
2. The assistance given to underdeveloped countries is called _____.
 - A. foreign aid
 - B. national aid
 - C. state aid
 - D. local aid
3. I.M.F means _____.
 - A. International Message Fund
 - B. International Mandate Fund
 - C. International Management Fund
 - D. International Monetary Fund
4. Corruption is one of the causes of Africa's _____.
 - A. development
 - B. success
 - C. indebtedness

- D. growth
5. _____ is another cause of poverty in Africa.
- A. Increase in industries
 - B. Increase in crop production
 - C. High level of literacy
 - D. Debt servicing
6. _____ comes in cash donations and supply of food and drugs.
- A. Foreign idea
 - B. Foreign issue
 - C. Foreign technology
 - D. Foreign aid
7. Debt cancellation can assist Africa to engage in economic programmes that could lead to _____.
- A. underdevelopment
 - B. development
 - C. failure
 - D. poverty
8. Foreign aid is a way of _____ African countries.
- A. developing
 - B. exploiting
 - C. protecting
 - D. salvaging
9. Europe and _____ are the countries that give foreign aid under the I.M.F.
- A. Asia
 - B. Latin America
 - C. America
 - D. Malaysia
10. Some African countries are indebted to I.M.F and World Bank due to _____.
- A. patriotism
 - B. nationalism
 - C. corruption
 - D. ignorance

Essay Questions

1. Define the terms foreign aid and debt cancellation.
2. Discuss the role of poverty in Africa's indebtedness.
3. Discuss how corruption causes Africa's indebtedness.
4. Examine the aspects of foreign aid.

5. Discuss the need for debt relief.