NEWS

World Bank report finds Africa crushed by debt burden

Despite economic and social reforms during the past decade, Africa is in very poor health, according to economic indicators published by the World Bank on Feb 14. Civil wars, poor governance, a decrease in foreign aid, and high oil prices have damaged reform programmes, notes the Bank. The gross national product for Africa remains depressed and is below the annual 5% level needed to prevent an increase in the number of poor people.

The indicators are based on data gathered by the Bank's country desks. However the Bank notes that "many data sources are subject to considerable margins of error". To improve data collection for future reports the Bank has offered African nations software to help coordinate statistical reporting, which at the same time will provide a technological edge in efforts to reduce poverty.

"These figures show us that economic reforms over recent years have slowly but surely improved growth in many African countries and allowed the private sector to take root", said Alan Gelb, chief economist of the Bank's Africa region. "However, despite this rising trend, countries are still vulnerable to conflict and external shocks in world markets, such as the recent rapid increase in oil prices and fallout from the East Asia crisis. These two forces have together produced highly unfavourable terms of trade for oil importers."

Two vital sources of finance for health care and other such programmes in sub Saharan Africa—foreign aid and foreign direct investment (FDI)—have decreased from US$32 per head in 1990 to $19 per head in 1998. Worryingly, the Bank notes that foreign direct investors tend to favour countries with lucrative mining and oil industries. "Aid is most effective within a sound economic and political framework . . . but it does beg the questions as to what the world is going to do for the losers—they cannot be ignored", says Mohga Smith, health policy advisor from Oxfam.

Corruption, crime, and political instability, are also factors leading towards decreased aid, says Professor Lionel Opie, University of Cape Town Medical School, South Africa. "Even in South Africa, where President Mandela and Mbeki decry corruption, aid has been misdirected to personal gain", he adds.

Donations have fallen from $17·9 billion in 1992 to $10·8 billion in 1999. The trend for investment in preferred countries has mean that most of the $2·52 billion of FDI given during the latest decade went to Angola, Lesotho, and Nigeria. The Bank calculated that 40 African countries were left to split $275 million in annual FDI.

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African economies are struggling

"How can problems be resolved with such trivial, almost insulting levels of investment?", asks Professor Bernard Lown (Harvard School of Public Health, MA, USA), founder of Satelife, a medical information network for doctors working in the developing world. Although donors may favour investing in certain countries, another reason for the decrease in aid, he continues, is the "African debt, which is $300 billion and exceeds all the money available for health and education. And the problem will not be solved until that is surgically addressed".

Economic and social reforms promoted by the World Bank and others have been tried for a number of years and "have proved to be ineffective", says Lown. African countries need to be able to trade on a level economic playing field and their democratic institutions need to be strengthened.

Mike Rowson from MedAct also considers that unsustainable debt burdens are a major constraints on economic growth. "Both the Bank and the International Monetary Fund (IMF) are now serious impediments to a resolution of the debt crisis, as they have not followed the example of the G7 countries and cancelled more of the debt owed to them", he says.

"Despite 20 years of endless adjustment programmes . . . the astonishing fact is that per capita incomes are now lower than they were at the start of the 1970s", says Rowson.

HIV/AIDS is still crushing Africa and since 1990, HIV/AIDS has caused life expectancy to decrease, and in the worst case, Botswana, life expectancy has decreased by 10 years. The fact that AIDS kills thousands of young adults damages economic growth, the investment climate, and labour productivity. The Bank notes that AIDS costs the typical African country more than 0·5% per capita growth every year.

The report was published on the eve of a joint trip to Africa by the President of the Bank, James Wolfenson, and the managing director of the IMF, Horst Köhler. At a press conference to announce the trip, Goodall Gondwe, Head of IMF's Africa Department, outlined their objectives. "The main issue is how can Africa can catch up with the other parts of the world, and . . . how to accelerate growth in a sustained manner and following on from that . . . reduce poverty."

However, Mark Curtis, head of Global Advocacy for Christian Aid, disagreed with Gondwe's assessment. "The main issue is to reduce poverty and promote pro-poor development. Growth will usually need to be a part of this but there should not be a 'growth first, poverty second', approach—the approach should be to promote growth that benefits the poor." Above all says Rowson "economic growth is important in Africa, but it is only a means to an end—human development. Economic and social policies should be focused on achieving good health and other social outcomes".

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