African countries face double whammy of debt crisis and food crisis

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Earlier this year, the World Bank warned that "60 percent of the poorest countries were already in debt distress or at high risk of it"—mainly in Africa—and that up to a dozen risked default over the next 12 months.

The largest spate of debt crises in developing economies in a generation threatens a social and humanitarian catastrophe for a continent already reeling from plummeting prices for its export-based commodities, the economic fallout of the COVID-19 pandemic and the criminal response of the ruling classes, taking their lead from the "let it rip" policies of the imperialist powers.

Africa has witnessed soaring prices for food, fuel and fertilisers, depleting foreign exchange reserves, in the wake of the US/NATO-led war against Russia in Ukraine. Twenty-three of Africa's 54 countries depend on Russia and Ukraine for more than half the imports of one of their staple goods. Some countries are even more reliant: Sudan, Egypt, Tanzania, Eritrea and Benin import 80 percent of their wheat and Algeria, Sudan and Tunisia more than 95 percent of sunflower oil from Russia and Ukraine.

They are also seeing higher prices across the board, exacerbating hunger under conditions where ruling elites across the continent refuse to divert even the most meagre resources towards alleviating poverty and use brute force to impose mass suffering.

Global inflation has pushed millions into poverty. The World Bank has warned that the number of Africans living in extreme poverty is set to rise from 424 million before the pandemic in 2019 to 463 million this year, more than one third of the continent's 1.2 billion population. Millions face starvation as the World Food Programme's appeal for $24 billion—to reach 153 million people in 2022—is only half funded as the major powers divert resources to the war effort.

Nigeria, Africa's most populous country, has seen prices rise by more than 20 percent while its currency, the naira, has fallen by 25 percent against the dollar since the start of the year, despite an increase of 250 basis points in interest rates since May. In Ethiopia, prices are up 32 percent and the birr's value has fallen to about 82 against the dollar on the informal market, down from 60 at the beginning of June. In Ghana, prices are up 31 per and the currency is plunging while Accra has raised rates aggressively to stem the collapse.

Following a decade of rising debt, with Eurobond finance as the main element, that saw public borrowing in 65 developing countries rise by 18 percent of GDP and in sub-Saharan Africa by 27 percent of GDP, the pandemic increased total indebtedness of both so-called emerging markets and developing economies to their highest level in 50 years, equal to more than 250 percent of government revenues.

Nearly 60 percent of the poorest countries were already in debt distress or at high risk of it, while debt servicing levels in middle-income countries were at their highest levels in 30 years as charges tripled between 2010 and 2021.

Zambia defaulted on its debts in late 2020 and Mali in early 2022. Now larger African countries are viewed as unlikely to be able to make $21.5 billion in repayments of their Eurobonds, excluding the cost of servicing these loans. This includes Ghana, which owes more than $4 billion to bondholders between June 2022 and May 2027, Kenya, with a bond repayment bill of almost $3 billion for the next five years, and Ethiopia with a $1 billion Eurobond due in 2024, amid ongoing conflicts affecting several parts of the country. The ability to pay of Nigeria, which owes almost $2 billion in Eurobond repayments, is also in doubt.

With most of their loans coming from commercial creditors, as opposed to governments and the multilateral financial institutions such as the World Bank and International Monetary Fund (IMF), their debts now involve variable interest rates which means their charges are set to rise as interest rates follow the rise in the US, European Central Bank and the United Kingdom. This is likely to precipitate significant capital outflows and force Africa's central banks to raise interest rates, thereby plunging their economies into recession.

With much of their debt denominated in dollars, which have seen a sharp rise in value, debt servicing charges will rise even higher. This is forcing Sub-Saharan African nations to seek debt relief or restructure simply to repay their creditors, largely European and American.

US-China rivalry in Africa, which has become a key battleground of competing interests, is making it even more difficult for African countries to reschedule their debts. Washington has sought to portray the continent's rising indebtedness as the result of China's loans that are aimed at gaining political leverage and seizing African assets when states default as part of its increasingly bellicose stance towards Beijing.

While China's lending expanded rapidly from the early 2000s to resource-rich African states, particularly to oil producers, after 2015 as commodity prices and growth rates fell, lending fell sharply from a high of $29.5 billion in 2016 to $7.6 billion in 2019 and has continued falling. Its loans were primarily for infrastructure projects to build and upgrade over 10,000 kilometres of railway, around 100,000 kilometres highway, 1,000 bridges and 100 ports, as well as power plants, hospitals and schools. China now accounts for about one-fifth of all lending to Africa.

As Debt Justice pointed out in a report last July drawing on World Bank data, African countries' Chinese loans, mainly from state-owned banks, are a third of their loans from non-Chinese private lenders, while interest rates are just over half (2.7 percent compared to 5 percent). It found that Chinese public and private lenders accounted for just 12 percent of the continent's $696 billion external debts in 2020, compared to the 35 percent owed to other private creditors.

The US government and the World Bank has sought to undermine China's lending to Africa by categorising the China Development Bank and the Industrial and Commercial Bank of China as "official creditors" or state institutions even though they lend at commercial rates. This makes them liable to debt freezes under the Debt Service Suspension Initiative (DSSI) and the Common Framework, schemes so fraught with restrictions that only Chad, Ethiopia and Zambia have applied, while the mostly Western private lenders are exempt from such restrictions.

The result has been to make it all but impossible for African states to obtain debt relief from the multilateral organisations, while enriching US creditors.

Zambia is a case in point. While earlier this month the IMF approved a $1.3 billion loan to Zambia, which defaulted in 2020 on its $17.3 billion of external debt, much of this will go to BlackRock, the world's largest investment fund, which holds $220 million of Zambia's debt bought at half their nominal value. According to Debt Justice, BlackRock stand to make 110 percent profit for itself and its clients if debt interest payments are paid in full.

The combined effect of the debt and cost of living crises in Africa's impoverished countries, where 60 percent of its 1.2 billion population is under the age of 25 and nearly one billion are under the age of 35, leaves most struggling to eke out a living. The last months have seen mass protests and strikes in Sudan, Tunisia, South Africa, Ghana and Nigeria expressing anger over social conditions and against the ruling elites that have imposed them.

These growing protest movements must unite their struggles with those of their class brothers and sisters throughout Africa and internationally against capitalism, expropriating the wealth of their venal leaders and financial institutions, and fight for the socialist reorganisation of society. This requires the construction of sections of the International Committee of the Fourth International across the African continent.