The application of the doctrine of Odious Debt in the context of Africa

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According to the odious debt doctrine theorised by Alexander Sack in 1927, a debt may be considered odious if it fulfils two conditions:

1. The population does not enjoy the benefits:
the debt was incurred not in the interests of the people or the state but against their interest and/or in the personal interest of the leaders or persons holding power.

2. Lenders’ complicity:
the lenders had foreknowledge, or could have had foreknowledge, that the funds concerned would not benefit the population.

The democratic or despotic nature of a regime does not influence this general rule.
Long list of debt repudiations

- **1797**: French revolution
- **1837**: Portugal
- **1837**: USA (Mississipi, Arkansas, Florida and Michigan)
- **1861** and **1867**: Mexico
- **1865**: USA 14th amendment to the constitution
- **1898**: USA versus Spain about Cuba
- **1918**: the soviet repudiation of all the debts
- **1919**: Costa Rica
- **1919**: Traité de Versailles, repudiation of the debt to the African territories colonized by Germany
Publication of the odious debt doctrine in 1927 in Paris

More repudiations:

• **1933-1934**: USA President Roosevelt's decision to delink the dollar from gold and to devalue the dollar dramatically, which constitutes a repudiation of international obligation.
• **1934**: Cuba
• **1949**: China
• **1956**: Indonesia
• **1958**: Guinée Conakry / Sekou Touré
• **1959**: Cuba
• **1960**: Lumumba / Congo
• **1962**: Algeria
• Algeria brought the debate on odious debt in the UN
1985-1987
Castro and Sankara on illegitimate debt

2003: the Bush administration proposed the cancellation of the debt reclaimed to Irak because it was odious.

2005: Paraguay repudiates odious debt to Swiss banks.

2007-2008: Ecuador refuses to continue paying illegitimate debts identified by a citizen audit.

2008-2009: Iceland refuses to pay a debt claimed by the UK and the Netherlands.

2015: Ukraine refuses to pay a debt claimed by Russia in the face of duress by Putin's regime.
The necessity of the struggle for the cancellation of the odious debt reclaimed to African countries

- Most of the debt claimed from African countries is odious

- This debt was accumulated in order to pursue policies contrary to the interests of the people

- Lenders were aware of this, starting with multilateral institutions such as the World Bank and the IMF, but also the Paris Club, private creditors and more recently China.
The policies funded by the lenders have:

- **worsened** Africa's food dependency;
- **exacerbated** the ecological and climate crisis;
- **greatly increased** inequality;
- **increased** the pressure to migrate;
- and more recently, **reinforced** the trend towards authoritarian regimes.
Local elites

• The local elites, or if you like the local ruling classes, are in favour of indebting their country in order to pay as little tax as possible.

• Moreover, they buy internal and external debt securities and get richer thanks to the repayment of the debt.
From Afro-pessimism to Afro-optimism until C19

• In the international financial press, between 2005 and 2019, there has been a shift from Afro-pessimism to Afro-optimism.

• The annual growth rate was at or above 5%.

• There was a kind of euphoria as even very poor countries managed to sell their public debt easily on the international financial markets.

• The external shock caused by the covid pandemic and the subsequent global crisis changed this situation profoundly.
• Sub-Saharan Africa's external public debt stock has increased from US$ 305 billion in 2010 to US$ 702 billion in 2020

• By 2022, 60% of African countries spend more on debt repayment than on health care

• 490 million Africans, mostly women, in extreme poverty by the end of 2021

• 40.2% of Africans living on less than US$1.90
Bad international environment for Africa

- Again, exogenous shocks beyond Africa's control aggravate the situation
- The increase in interest rates by the FED and the ECB
- Appreciation of the dollar against the euro and the CFA
- Rising food import bills
- And for countries that do not export gas or oil, increased fuel import bills
- Refinancing debt repayments will become an increasingly serious problem.

IT IS HIGH TIME TO ACT
Delinking is once again very topical.

It is necessary to:

- suspend the payment of the debt,
- reject the continuation of the anti-social and neo-liberal conditionalities imposed by the IMF and the World Bank,
- audit the debts with the participation of the citizens;
- repudiate debts identified as odious.
The cancellation of illegitimate and odious debt is not enough

- **Sovereignty** must be regained over the various strategic areas
- **An endogenous, self-centred development model** must be adopted, with the guarantee of economic, social, cultural and political human rights as a priority. Gender equality must be fully achieved
- Adopt a **socially just tax system** that increases the resources of the state and reduces its need to finance itself through foreign debt
- There is a need for a **public banking sector**
- It is necessary to **regain control** over the currency and foreign trade
- We need to **protect small farms, small businesses**


  - And [www.cadtm.org](http://www.cadtm.org)