What IMF policies do to African development

The worldwide recession of the mid-1970s took a severe toll on the developing nations of Africa. Contraction of world trade, collapse of commodity prices, inflation, and cutoff of credit from traditional lenders, made it impossible for these nations to finance development out of their export earnings. African countries were forced to incur enormous debts in efforts not only to maintain their development plans, but even to secure basic necessities which they had to import.

With Western sources of credit dried up, many African nations have been forced to rely increasingly on the World Bank and International Monetary Fund for loans. Moreover, primarily on the advice of these institutions, African nations have borrowed for some large but poorly conceived projects which have added to their debt burden without enhancing their future prospects for generating capital.

A prime example is the 1,500-mile-long power line linking the Inga dam on the lower reaches of the Zaire River to the copper mines in Zaire's Shaba Province, a power line that loses over two-thirds of its power by the time it reaches its destination. It was built solely for the purpose of bypassing neighboring socialist Angola.

Worse, however, has been the imposition of austerity demands tied to IMF loans. These conditions not only make continued development of the affected nations impossible, they are making whole areas of the continent uninhabitable.

Ghana, Sierra Leone, the Sudan, Zaire, Zambia, Jamaica, and Peru, among others, have all been forced by the Fund to submit to currency devaluations ranging from 5 percent to 30 percent in 1978 and this year, and in at least two cases to allocate 30 percent of their foreign exchange earnings to debt service. Most have also cut back social spending and the importation of food, essential commodities, and capital goods as well.

The result has been double and triple digit inflation in food prices — reducing the consumption, and therefore the productivity of the working population, and the ability of the youth to learn. Furthermore, the Fund's financial "recovery" conditions have hastened the collapse of already decrepit economies, such as Zaire's, engendering widespread urban and rural starvation, due to a total collapse of food production and distribution and an IMF-ordered cutback in food imports.

Raw-material import cutbacks have damaged or collapsed the revenue-producing export sectors, giving the lie to the "recovery" characterization of the IMF scourge.

Such "recovery" programs, if not reversed, will plunge the Third World into a dark age far darker than the backwardness from which it is striving to emerge.

Zaire: the IMF policing genocide

Zaire is the first case of an actual takeover of a country's central financial institutions by IMF appointees. Under the terms of last year's "stabilization" program, the IMF has placed overseers in Zaire's Central Bank and Finance Ministry.

Under the direction of chief overseer Erwin Blumenthal, the country's economy has entered a decline which threatens to produce the break-up of Zaire as a national entity. Blumenthal has made it obvious, furthermore, that this fact does not concern him or the Fund in the least. His brief is to see to it that Zaire's debt is paid off for once and for all, and if that requires the destruction of the economy and the massacre-by-starvation of the population, so be it. Fully 30 percent of the country's foreign exchange has been allocated, by IMF dictate, to servicing the country's $3.5 billion debt. Another 30 percent has been parceled out for *all* consumer goods imports, including food, 33 percent for raw materials and spare parts, and 2 percent for fuel.

Starvation is now spreading rapidly throughout Zaire. The southeastern Shaba province, center of the copper industry, is suffering severe food shortages due to social unrest, the breakdown of the transport sector and last year's invasion by former gendarmes of the Belgian Union Miniere mining company. The invasion — falsely blamed on Angola last year — also scared away a large part of the European technicians essential for running and maintaining the province's copper and other mines.

The IMF's embargo on food imports and on fuel for trucking local produce to consumers has exacerbated the shortages to the level of starvation. Children with kwashiorkor, the debilitating disease of malnourishment, are a common sight in the province, according to the *New York Times*. IMF cutbacks have also resulted in delays in getting raw materials for copper refining, which has contributed to a 50 percent decline in copper shipments this month — a windfall for speculators on the London Metals Exchange, and a further disaster for Zaire, as Blumenthal cuts constant proportions out of a shrinking whole. In addition, most of Shaba's industries are operating at 50 percent capacity, at best.

In the western Bas Zaire province, where conditions are exacerbated by drought, starvation levels are "worse than the Sahel," with more than a quarter of the children in some districts acutely malnourished, according to a recent study by an international nutrition survey team. Some 450,000 people are estimated to be affected by starvation. Emergency shipments of seed, according to the U.S. Department of State's Disaster Relief office, were not expected to be in the ground by the March 1 deadline (the end of the rainy season) for a good crop. The situation, therefore, will be the same, if not worse, next year.

Due to the collapse of the country's once-efficient infrastructure — which Blumenthal is now driving into the ground with his rationing plan — peasants throughout the country are unable to get their crops to market and have largely reverted to subsistence agriculture. Whereas there were 80,000 miles of good roads in the country at the time of independence in 1960, there are now 12,000.

With no local produce arriving in the cities and the IMF's cutting back of food imports, starvation is even spreading to the cities. In the capital, Kinshasa, Western diplomats report seeing people "fainting from hunger," and levels of deprivation they have never before witnessed. There are reports in several cities of food riots, and, in several provinces, armed gangs shopping for groceries by force. Many of these armed gangs are said to be unpaid and unfed Zairean army soldiers.

With the collapse accelerating, Belgium has sent 250 paratroopers, ostensibly to protect Europeans from rioting Zairois, but in fact to ensure that President Mobutu Sese Seko does not try for an alternative aid program that would enable him to pull out of the Fund's grasp.

A parallel contingency plan, to overthrow Mobutu if necessary, is in place on Zaire's eastern borders. On Feb. 16, 48 European mercenaries were arrested attempting to enter the country from neighboring Rwanda, and the Rwandan army arrested 80 more this week. The mercenaries were later discovered to have been funded by the Belgian Banque Bruxelles Lambert of the Rothschild family.

The Sudan: outlawing development

The Sudan, in northeast Africa, has the greatest agricultural potential of any country in Africa. President Jaafer Numeiry, after more than a decade spent bringing political stability to the country, has brought the Sudan to the point where it is ready for an economic boom, if financed.

But the International Monetary Fund has put up every obstacle, in collaboration with some Saudi leaders who would sacrifice the breadbasket of the Middle East for the IMF's idea of short term financial stability; stability based on slowing down, if not stopping, Sudan's economic growth.

In the course of financing development, not possible through foreign exchange earnings (a condition that the IMF seems to be insisting on), the country has accumulated \$2.5 billion in foreign debt, with 30 percent of all foreign exchange earnings going to debt-service payments. The Sudan has benefitted so far only from the backing of Saudi Arabia. Last June, however, the IMF extracted a 20 percent devaluation of the Sudanese pound and an embargo on development spending, until Sudan's \$700 million arrears on debt service was paid up. Even at that, the 20 percent devaluation represents a minor victory for Sudan, since it was 10 percent below the devaluation demanded by the Fund.

Disregarding the fact that repayment of current debt is secured only by the uninterrupted growth of the

Sudanese economy, the IMF last week prevailed on Saudi Arabia to withhold payments of a $300 million grant to Sudan, causing an instant foreign exchange crisis. On Feb. 16 a Fund delegation arrived in the country to extract further concessions in return for new credit.

In contrast to the Fund, the government of the German Federal Republic recently wrote off $218 million owed it by Sudan.

Further pressure from the IMF could upset the delicate political balance that Numeiry has constructed over the last decade, possibly causing the resurgence of the Anya-Nya secessionist movement in the Christian southern Sudan, or an upsurge of Islamic fundamentalism, similar to that in Iran, in the north. Already the fanatical Muslim Brotherhood, which held a 4,000 person demonstration last week in Khartoum, is calling for Numeiry to go the same way as the Shah, for the crime of modernizing his country.

Zambia: engendering instability

Although Zambia has not yet sunk to the depths of Zaire, the combination of the austerity regimen imposed by the IMF and the constant and growing threat from Her Majesty's colony of Rhodesia have created social unrest that seriously threatens Zambia's economy and the government of President Kenneth D. Kaunda, and could cause the splintering of the country. In the worst sense, Zambia could "catch up" with Zaire in short order.

Zambia has been under increasing pressure from the IMF since the drop in copper prices dried up their main source of income in 1974. As in Zaire, commercial banks in the West loaned Zambia considerable sums assuring the Zambians that repayment would come from Zambia's then-growing receipts from copper. From a 1974 high of $1.26/lb. in the second quarter, the price of copper fell to $.62 in the fourth quarter and $.53 a year after that, staying at this depressed level until this year. Foreign exchange reserves fell from $318 million to $38 million in the first six months of 1975; and there have been *no* revenues from copper since the end of 1974. The cost of production has been higher than the world price.

As a result, the Kaunda government has been introducing more and more draconian austerity measures in an attempt to stave off the Fund's bill collectors. In the 1978 budget, capital investment was cut from 1977's £133 million to £99 million, the equivalent of £79.2 considering the country's 20 percent inflation rate. At the same time, government subsidies were removed from several vital commodities, causing a 21.6 percent increase in the price of maize, a staple food, and a 28 percent rise in the price of fertilizer. Recurrent expenditures were cut from £484 million (1977) to £444 million (355.3 million considering inflation), stripping health and education allocations to the bone. In the same year, the government introduced forced ruralization of unemployed urban dwellers.

After an inspection visit in March, the IMF offered $390 million in financial assistance, applied to import bill arrears and back debt. As of 1977, Zambia's debt was $1.27 billion.

As a result of the economy's contraction and the cuts in social spending, the Kaunda government is facing a resurgence of opposition and the growth of regionalist and tribal political machines, particularly among the Bemba on the copperbelt and in southern Zambia along the border with Rhodesia.

Zambia has also faced almost constant military harassment from Rhodesia: one major raid against Patriotic Front guerrilla camps in Zambia last year, and another last week, in which upwards of 100 people were killed. Rhodesia has also threatened more severe raids in retaliation for the downing of a Rhodesian airliner by guerrillas in February.

Ghana: capitulation

In the summer of 1978, a junta led by General Fred Akuffo ousted Ghanaian head of state General Ignatius K. Acheampong and has since agreed to the demands of the IMF, almost before being asked. The Acheampong regime had a history of resistance to IMF financial dictatorship: upon his accession to power in 1972, Acheampong reversed a devaluation of the Ghanaian currency, the cedi, and virtually unilaterally forced the renegotiation of Ghana's foreign debt, refusing to pay some debts incurred or offered irresponsibly during the governments of Kwame Nkrumah and Kofi Busia in the 1960's.

Upon taking over, Akuffo immediately cleared out a number of Acheampong's advisors and put economic policy under the control of strict monetarist Dr. J.K.S. Abbey, a graduate of the London School of Economics. In return for a $69 million debt rollover fund, the IMF has extracted from Ghana a devaluation of the cedi, a government budget cut, a drive to increase export crop production, and limitations on imports — limitations which mean "immediate hardships for Ghanaian citizens and consequently a grave strain on the whole fabric of the Ghanaian nation," according to *Africa Confidential* magazine.

Sierra Leone: resistance

Sierra Leone's President Siaka Stevens, backed by his national Chamber of Commerce, has put up stiffer resistance to the IMF's demands, but the pressure is still on. After making clear to the IMF in an October 1978 meeting in Washington that their demands would threaten Sierra Leone's political stability, Stevens was forced to accede to the Fund's demand for a 5 percent devaluation in the leone, the country's currency, and to the demand that the leone be pegged to the Fund's so-called currency, the SDR. The World Bank chimed in threatening to cut off new development projects if Stevens did not capitulate.

However, Stevens refused a further devaluation demanded by a visiting IMF team this January. This has resulted in the suspension of an IMF standby credit for his country and the postponement of further aid measures, and it is unsure how the country, which has virtually no foreign exchange left, can hold out. However, one possibility was indicated by the visit to Sierra Leone late last year by France's Minister of State at the Foreign Office Olivier Stirn.

—*Peter Buck*