How the International Monetary Fund destroys African nation-states

by Mary Lalévee

Since their establishment with the 1944 Bretton Woods agreements, the sister institutions of the World Bank and the International Monetary Fund (IMF) have worked to prevent the emergence of industrial nation-states in the developing sector. By funding only small-scale labor-intensive projects or infrastructure to facilitate the export of raw materials and cash crops, the World Bank has played the key role in this sabotage. Since private banks and developed sector governments do not generally fund or provide loans for projects not approved by the World Bank, the World Bank has been able to prevent development of the infrastructural, industrial, and agricultural projects which would have allowed the developing sector to feed itself by now. Africa is merely the most extreme example of the outcome of this policy.

Without any assistance for real economic development, the African countries are forced to turn to the International Monetary Fund for "quick fix" loans to try to keep their economies working. The IMF refuses any aid until the country agrees to a series of internal financial and budgetary policies demanded by the IMF, "conditionalities" calculated to further undermine the economy of the country in question. The end result is the mere shell of what was formerly a potential nation-state, which can only export raw materials and labor intensively-produced cash crops: precisely the colonial status that Africa has been struggling to leave behind.

The IMF and the World Bank annual meetings in Washington, Sept. 27-30 1983, heard pleas from African delegates for emergency aid from the two institutions. Zambian Prime Minister Nalumino Munida, speaking on behalf of the African group, called for a special emergency facility of $2 billion to be set up, specially to aid low-income countries facing what are euphemistically called "severe adjustment problems." Far from responding to this call, the IMF decided to end the so-called "enlarged access program" which allowed countries to draw up to 150 percent of their quota in any one year, with borrowing now restricted to 102 percent of quota.

The fact that the African delegates were anxious for more loans from the IMF, and that many hoped that the United States Congress would pass the IMF bill (as it subsequently did on Nov. 18, 1983) could give the impression that the IMF and the World Bank are actually helping impoverished African nations overcome their financial difficulties. But the only reason African governments turn to the IMF and World Bank, and accept conditionalities which violate their sovereignty, is that there are simply no other sources of credit available for them. All loans from private banks or elsewhere are made dependent on the country bowing to IMF dictates, which usually consist of a recipe of devaluation of the currency, cutting imports, reducing or cutting subsidies on food, and keeping wage increases down. A diplomat from Madagascar commented bitterly that "The IMF does not keep you alive, but it prevents you from dying," in that a trickle of loans would come in, but at a terribly high price: the further reduction of the living standard of the population, when income per capita has already been falling constantly over the last ten years. At the 1982 annual meeting of the IMF, one African delegate commented to the *African Economic Digest* on the IMF: "They are like a quack doctor; they insist you keep on

Figure 3
The IMF loans to Africa

	(millions of SDRs)	
Country	**1981-82**	**1983**
South Africa	—	364.00
Guinea	—	25.00
Ivory Coast	484.50	—
Kenya	161.88	175.95
Liberia	55.00	—
Madagascar	72.80	—
Malawi	22.00	—
Mali	30.38	—
Mauritius Islands	30.00	49.50
Uganda	—	112.50
Central African Rep.	—	18.00
Senegal	63.00	47.20
Somalia	60.00	—
Sudan	198.00	170.00
Togo	—	21.37
Uganda	112.50	—
Zaire	912.00	—
Zambia	800.00	211.50
Zimbabwe	—	300.00
World Total	—	9,253.65

taking the potion, even if it kills the patient."

Devaluation of African currencies, especially vis-à-vis the U.S. dollar, has the following effects: increase in the price of imports, i.e., an "automatic" reduction of imports, given foreign exchange shortages in these countries, and an increase in the debt and debt service, as Africa's debt is to a large extent denominated in dollars. The supposed benefit of reducing the price of Africa's exports is meaningless, given the recession internationally. Prices paid for Africa's exports of agricultural products have slumped disastrously over the last five years.

A Zairean source commented, "The IMF does not seem to care about the effects of the conditionalities on the population, and only cares about the interests of the banks which lent money." Indeed, the effects of further reducing the living standard of Africans can only mean mass famine. Of the total number of 50 African countries, 22 are now facing what the U.N. Food and Agriculture Organization (FAO) in Rome is describing as "Food Emergencies."

The FAO reports that the food supply position in many countries in Africa deteriorated sharply during 1982-1983, and that the prospects for 1983-1984 are even worse. Drought, in some cases now in its third year, insect pests, cattle plague, and floods of refugees have led to severe food shortages. Even before this, the average African had less access to food than ten years ago, and average dietary standards were below nutritional requirements. Lack of investment in infrastructure has led to breakdowns in internal transport networks, with cases in Zaire of roads and railways no longer being maintained by the central government due to lack of funds, and areas of the interior being cut off altogether from the capital.

On a continent where life expectancy is on average 20 years less than in the industrialized sector, ranging from 37 to 55 years, to implement "severe adjustment programs" means genocide. We present here selected case studies of the effects of the International Monetary Fund's program in Africa.

Nigeria: the story behind the coup

The Dec. 31 military coup in Nigeria was the result of an attempt to check the chaos and potential unrest resulting from the collapse of the Nigerian economy. Nigeria, America's largest trading partner in Africa, depends on oil for over 90 percent of its foreign exchange, and 80 percent of government revenues. In 1979 Nigeria, Africa's most heavily populated country with around 100 million people, had a budget surplus of $2.25 billion. As a result of the collapse of Western economies, by 1983 Nigeria had a $6 billion deficit. In the same period, Nigeria's foreign exchange reserves went from over $6 billion to less than $1 billion. Reserves have now reportedly declined to less than three weeks' worth of imports. Imports in 1983 are likely to be reduced to half their 1981 level. Nigeria had been especially targeted for financial warfare since it is considered the weak link in OPEC. Because of its large population and its development needs, it could be most easily forced to break the OPEC price structure in an attempt to pump more oil.

Nigeria's debt is only around $15 billion. However, its short-term trade debt is estimated to be over $5 billion by some Western banking sources cited in the financial press, which has lead to a cut-off in trade credits. With its economy grinding to a halt, Nigeria is now seeking loans to pay this trade debt. However, Western financial circles have made clear that these loans will not come through until Nigeria agrees to the IMF conditionalities.

Nigeria's ability to straighten out its economy thus hinges on its efforts to negotiate a $2 billion-plus loan from the IMF. Nigerian negotiations with the IMF are now slated for mid-February. Attempts by the previous Nigerian government of President Shagari to arrange this loan were met with IMF insistence that Nigeria devalue its currency, the naira. Nigeria's resistance to this has led to private banks and Western governments stalling on a Nigerian request for loans, and the re-scheduling of its short-term commercial debt. European and American banks agreed to the rescheduling of a $2 billion loan to reschedule some of this trade debt, also dependent on acceptance on IMF conditions.

The Shagari government had refused to accept IMF demands for devaluation, a policy President Shagari re-stated in an interview with the *International Herald Tribune* on Nov. 15, 1983, where he said, "I don't see what we will gain by devaluation in Nigeria." He said he was "hopeful" that there would be an agreement with the IMF soon.

An expert in Paris pointed out the political nature of the IMF demands on Nigeria. "The depreciation of the naira which has been allowed to happen by the government is not seen as enough by the IMF. Everyone thought that after the elections, Nigeria would get the credit of $2 billion; instead, the IMF is delaying. Devaluation of the currency would in any case not help Nigeria. It would not stimulate exports, as Nigeria's oil is anyway priced in U.S. dollars, it would only mean an increase in Nigeria's debt, and debt service, which is denominated in dollars."

Nigeria's total debt is officially $14 billion, and the balance of payments deficit on Jan. 1, 1983 was $3.9 billion. According to World Bank sources, total interest paid by Nigeria on short-, medium-, and long-term loans in 1983 was $872 million.

Nigeria has cut back investments in major infrastructure projects. In 1982, the $2.3 billion plan to build a standard gauge railway to the new steel plant at Ajaokuta was shelved, leaving the steel plant virtually inaccessible. In 1983, the government announced that import licenses would be needed for certain goods, in an effort to reduce foreign exchange outflow. Import restrictions introduced in April 1982 and extended in January 1983 cut imports from a monthly average of $1.6 billion in the first half of 1982 to $800 million in August 1983. This led to widespread shortages of imported

Figure 4
Some examples: Nigeria, Zaire, Sudan, Zimbabwe, Zambia, and Ghana
External public debt and debt service ratios

Country	External public debt outstanding and disbursed: Millions of dollars 1970	Millions of dollars 1981	As percentage of GNP 1970	As percentage of GNP 1981	Debt service as percentage of: GNP 1970/1981	Exports 1970/1981
Zaire	311	3,960	17.6	77.0	1.2/4.1	4.4/NA
Sudan	319	4,807	15.8	59.3	1.7/1.0	10.7/5.0
Ghana	489	979	22.6	4.0	1.1/0.3	5.0/9.1
Zambia	623	2,294	37.0	73.1	3.5/9.4	5.9/24.0
Nigeria	480	4,652	4.7	6.5	0.5/1.2	4.1/4.6
Zimbabwe	233	880	15.7	13.8	0.6/1.1	NA/4.4
For comparison purposes:						
Brazil	3,236	43,821	7.1	16.0	0.9/3.1	12.5/31.9

Source: World Bank. NA—Not available.

Exports (in billions of U.S. dollars)

Country	1978	1979	1980	1981	1982
Nigeria	10.538	17.584	26.527	19.512	16.374
Zaire	.925	1.323	1.632	.662	.569
Sudan	.518	.535	.543	.658	.499
Zambia	.844	1.376	1.403	1.055	1.059
Zimbabwe	NA	NA	NA	NA	NA
Ghana	1.093	1.041	1.257	1.063	.873

Imports (in billions of U.S. dollars)

Country	1978	1979	1980	1981	1982
Nigeria	12.821	10.231	16.635	20.915	14.389
Zaire	.589	.597	.835	.668	.480
Sudan	1.194	1.110	1.576	1.511	1.285
Zambia	.730	.906	1.308	1.256	.998
Zimbabwe	NA	NA	NA	NA	NA
Ghana	.989	.894	1.057	1.106	.705

Source: International Monetary Fund, *International Financial Statistics,* October 1983.

goods, and very sharp price increases for many basic commodities, such as rice, flour, soap, and detergents. The Nigerian government has also agreed in principle with another IMF demand: selling off its holdings in companies, such as Nigeria Airways. Expansion of the steel industry—essential for infrastructure development—will be cut back.

Zaire: 400 percent inflation

Since 1975, when Zaire first began negotiations to reschedule its external debts, the IMF has ripped national sovereignty to shreds. The IMF's conditionalities included the order that the Zairean government accept IMF representatives in key posts, such as at the central bank and in the finance ministry, and Belgian customs officials have even taken over customs duties.

Zaire's long and arduous efforts to meet all the demands of the IMF over the last ten years have ruined whatever was left of Zaire's economy. The standard IMF recipe of devaluation, import restrictions, and keeping wage increases down has devastated the economy, leading to a situation described by a Zairean diplomat in Europe in the following terms: "The IMF forces African governments, not just Zaire, to take 'antisocial' measures, like devaluations, promising 'aid,' if you can call it aid, which by no means matches the disruption caused by these measures." He described the effects of the recent 400 percent devaluation of the zaire, stressing that the price increases in food, clothing and oil would mean disaster. "Salaries have only risen by 40 percent, and some prices by 400 percent, and that means a tremendous reduction in the purchasing power of the population. There is nothing positive in the devaluation; it only increases social unrest."

The diplomat gave some examples: "People in Zaire travel by shared taxis, but now that the oil price has risen 300 percent, people have to walk. A taxi ride which used to cost

5 zaires now costs 15-25. Many families have cut out breakfast—they just cannot pay for the food. Parents cannot buy school uniforms for their children. Internally, infrastructure is collapsing as the government cannot pay for manpower to maintain roads, rail and river transport. Some areas are totally cut off from the capital."

Asked how people survive in this situation, he said that everyone in paid employment "supports between 10 and 15 people outside his immediate family of children, parents, brothers and sisters"—between 20 and 30 altogether.

There are now two rates of exchange. The official rate, at 26 zaires to the dollar, compared to 6 zaires before devaluation, is for priority transactions such as the repayment of foreign debt. Other transactions are to be done at the "floating" market rate, which opened at 29 zaires to the dollar.

In 1979, the IMF launched a "stabilization program" involving rescheduling of its then $4.9 billion external debt, loans of $1.2 billion and a program of public investment. However, faced with social unrest, the Zairean government was unable to implement the drastic measures demanded by the IMF, and Zaire only received one installment of the IMF cash, in July 1980, of about a fifth of the originally scheduled sum. The program was officially suspended at the end of 1981.

In May 1983, an IMF team visited Kinshasa to study Zaire's efforts to conform to the latest IMF stabilization program, holding out the promise of a new SDR 228 million ($247 million) standby agreement. The IMF is expected to approve a $350 million standby facility, repayable after 15 months. The loan will be used to pay back a $20 million bridge loan, settle interest arrears on the commercial foreign debt, and pay foreign airlines and finance imports.

Sudan: development projects canceled

Sudan, the largest country in Africa, and the continent's potential bread basket, remains one of its least developed countries. Sudan has roughly 200 million feddans (1 feddan = 1.039 acres) of arable land with either adequate rainfall or easy access to water, provided irrigation projects were undertaken. But as of 1977, despite once ambitious plans for such projects, only about 15 million feddans, 8 percent of the arable land, was under cultivation, and only about 2 percent irrigated. Thus, although 80 percent of the population is engaged in agriculture, they produce only 40 percent of the nation's gross national product.

In 1978 the IMF imposed conditionalities that included cancellation of key development projects. The Saudis, who had professed interest in Sudan's development as a bread basket, supported the IMF, and Sudan had no choice but to swallow the IMF conditions for the three-year loan. In June 1981 the IMF suspended pay-out of the loan, claiming that Sudan had not stuck to the conditions. This was followed by

Figure 5

World agricultural acreage and grain output, by region 1980

Region	Tot. Ag. Land Avail. (Mil. of Acres)[1]	Tot. Acreage in Prod. (Mil. of Acres)	Tot. Acreage in Prod. of Grain (Mil. of Acres)	Yield per Acre for Grain (Bu/Acre)[2]	Workforce in Ag.	Workforce in Grain[3]	Yield of Grain (Bu/Man-Year)	Grain Output of Region (per Capita)
U.S.A. and Canada	2,734	1,225	224	56	2,747,000	1,373,000	9,059	49
European Community	317	250	71	71	8,393,000	4,197,000	1,200	19
Non-European Community, W. Europe	366	161	42	48	6,168,000	3,084,000	655	20
Eastern Europe and Soviet Siberia	4,030	1,647	362	29	38,402,000	26,881,000	393	28
Latin America	4,243	1,735	123	29	38,996,000	24,177,000	147	10
Africa	4,104	2,385	180	16	114,245,000	85,683,000	33	6
Middle East	691	575	67	24	20,549,000	17,467,000	92	12
Asian Subcontinent	903	693	324	23	217,355,000	195,619,000	39	8
Southeast Asia	823	226	108	35	83,649,000	75,284,000	51	10
Taiwan, Japan, South Korea	97	19	12	64	12,284,000	8,599,000	90	5
Oceania	1,640	1,266	39	18	2,108,000	1,476,000	467	30
China and North Korea	1,449	1,102	243	47	280,426,000	260,796,000	44	11
World	21,397	11,284	1,794	35	827,325,000	704,636,000	88	14

Source: U.N.F.A.O. Production Yearbook, 1981

NOTES:
1. Total land available consists of arable land, permanent cropland, pasture land, and forest.
2. 55 pounds = 1 bushel
3. Workforce in grain based on estimates.

devaluations and elimination of subsidies, which ultimately led to "IMF riots" in Khartoum, the capital. The IMF and World Bank are now pressing Sudan to increase its cotton production for export, which would make Sudan little more than a cash-crop colonial plantation. The price of Sudan's main export crop, cotton, fell 14 percent during 1982.

The disastrous economic conditions are providing fertile ground in the Muslim north for Muslim Brotherhood fundamentalist subversion, and separatist rebel activity in the non-Muslim south, threatening the unity of the country.

Zambia: hit by drought

The fall in copper prices in the mid-1970s led to economic problems for Zambia, and severe austerity measures have been implemented over the last five years. In early 1978, an IMF program was agreed to, whereby in exchange for devaluation and cuts in subsidies, the IMF would provide a $390 million credit and reschedule an earlier loan. The measures led to shortages of basic commodities such as salt, cooking oil, soap, and flour, but also to shortages of urgently needed maize imports.

Talks in 1981 led to another agreement with the IMF, which was then suspended "because of difficulties in meeting program targets," although the government implemented a program including the reduction of consumer goods subsidies, leading to an increase in food prices. The price of maize meal, the staple diet, rose between 30 and 50 percent in the first half of 1981.

In 1982, a one year stand-by agreement of SDR211.5 million was reached, but this was only on the condition of a devaluation. In 1983, a standby loan of some $400 million was granted in exchange for yet another stringent austerity program, including 20 percent devaluation, cuts in food subsidies, a 10 percent wage ceiling and an end to price controls on most commodities.

Zambia is one of the 22 African countries now facing a severe food shortage, with drought affecting large areas of the country for a second consecutive year, according to the FAO. Marketed production of maize this year is estimated at 540,000 tons, 180,000 tons less than requirements.

Zimbabwe: capitulation to the IMF

"The IMF has rewritten the rules to govern the economy for the next 12 months"—that is how one source described the situation in Zimbabwe. Prime Minister Robert Mugabe submitted to IMF pressures and devalued the currency by 20 percent in December 1982, despite strong domestic opposition. The Zimbabwe currency depreciated by 4-5 percent against the U.S. dollar.

The IMF is now demanding a reduction in the current account deficit and the balance of payments deficit, that wage increases be held down, and that the currency be further devalued. Imports are being curtailed, leading to shortages of spare parts and new machinery.

The IMF measures will increase the economic difficulties of the country. The FAO reports that food and cash crop output has been seriously affected in 1983 by the worst drought on record. This is the second consecutive year of drought. Maize production is estimated at about 1 million tons, less than half that of a normal year. Wheat production has been affected by a shortage of irrigation water in dams, and output is expected to fall by 50 percent. One hundred thousand cattle have already perished, and this figure is expected to rise.

Ghana: severe food shortages

Ghana's economic situation is deteriorating, with the threat of famine and increased IMF pressures for greater austerity. The FAO reports that there are "severe shortages of cereals and other food staples" in Ghana, due to drought and uncontrollable bush fires, with the situation aggravated by a large influx of returnees from Nigeria. Normal cereal production is 600,000 tons, but during 1982-83 production was reduced to 497,000 tons. The outlook for 1983-84 is poor, with output expected to be about 480,000 tons.

Ghana has experienced a decline in exports, imports, investment and production during the last ten years. In the period 1976-1982, Ghana's consumer price index increased by more than thirty-two fold. Food prices have reached astronomical levels with one yam, sufficient for one family meal, costing around two weeks wages (C200) for the ordinary laborer.

The government took IMF-style measures in 1982 and again in 1983. Ghana's March 1983 budget was along the lines demanded by the IMF, and a 750 percent surcharge was imposed on imported raw materials. Consumer prices rose, and the budget was described as "anti-people, a killer, callous and inhuman" by a trade-unionist quoted in *African Business*, July 1983. There were already severe shortages of essential goods in 1982, especially rice, soap, sugar, milk, and cooking oil. At that time, the IMF was demanding removal of all subsidies, dismantling of the public sector, removal of price controls, and easing of transfer of foreign payments.

In exchange for the "killer" budget, the IMF agreed to to a standby agreement equivalent to 150 per cent of Ghana's quota.

On Oct. 11, 1983, this policy was thrown out and the currency (the cedi) was devalued by over 90 percent as demanded by the IMF and World Bank, ending the system of import surcharges.

Like many African countries, the fall in commodity prices has been a major reason for Ghana's economic problems. The price of Ghana's main export crop, cocoa, accounting for 70 percent of the country's foreign exchange earnings, has fallen from a peak of $2.60 a pound in 1977 to about 70 cents a pound. Oil imports absorb up to 60 percent of export earnings.