

## Africa Report by Mary Lalevée

### IMF's 'magic formulas' are a fraud

*The debt crisis has reached the point that 40% of export revenues go for debt service.*

Various schemes were put forward at the annual meeting of the International Monetary Fund (IMF) and the World Bank in Washington at the end of September, to try to keep the debt crisis of the developing sector under control. Specifically for Africa, British Chancellor of the Exchequer Nigel Lawson put forward a three-point plan, involving the conversion of aid loans into outright grants, longer repayment periods, generous grace periods for other government-to-government loans, and a reduction in the interest rates payable on these debts to below market levels.

At the Commonwealth meeting in Barbados on Sept. 24, Lawson urged Commonwealth finance ministers to back his plan for the indebted nations of sub-Saharan Africa, saying, "This is not some kind of optional extra. It is absolutely essential. The heart of the problem for the poorest countries is that, without some relief, they cannot even meet their interest payments."

However, just like IMF loans, the plan would only apply to countries pursuing "satisfactory economic policies," which presumably means only those countries which apply IMF austerity policies, such as drastic cuts in government spending on health and social services, which have led to increased malnutrition and infant mortality rates in many countries.

Right now, the IMF is a net receiver of funds from Africa, and while IMF managing director Michael Camdessus has proposed tripling the IMF's

Structural Adjustment Facility to about \$12 billion, theoretically to provide additional finance for sub-Saharan African nations, this amount would probably be earmarked for repayment of loans from the IMF and World Bank. Few dollars would actually be transferred to Africa.

The other "magic formula" being discussed is the "debt-for-equity" swap, described by one African minister at the meeting as "the latest form of colonialism," according to the French daily *Libération*. He said, "Now we will have to give up the few enterprises we have set up, just to pay the bill."

The failure of IMF and World Bank policies in Africa is obvious and hideous: They have been applied for the last 20 years, and the situation has steadily worsened. The World Bank itself has written, "For the first time since World War II, an entire region has regressed during one generation." And the situation is not improving, the World Bank writes. "In the long term, the situation is going further downhill."

But the truth is, World Bank and IMF bureaucrats, malthusians to the core, quietly view their policies as a success, on those very counts.

Since the beginning of the decade, per capita income has fallen by 12% in the 29 poorest African countries, and in some countries like Chad, Niger, Tanzania, and Togo, per capita income has actually fallen by 30%, a drop similar to what occurred during the 1930s depression in the United

States. This is largely due to the fall in commodity prices, whose export is the basis of most African economies. In the last three years alone, commodity prices have fallen by 30%.

On average, Africa has to pay almost 40% of export revenue for debt service alone; many countries have to pay over 50%. Sudan is theoretically supposed to pay 140%, \$1 billion per year—obviously impossible. Ghana, which has strictly applied IMF measures and devalued its currency to the point that it is only worth 1.8% of its 1983 value, has to pay over 60% of export revenue for debt service. Ghana has managed to increase cocoa production, but now the price has collapsed, showing once again that the World Bank's policy of obliging African countries to concentrate on commodity production for export is an intentional recipe for disaster.

The Organization of African Unity is to hold a special summit on debt in December, and Zimbabwe Finance Minister Bernard Chidzero told the Commonwealth meeting that African countries were considering freezing interest payments on the debt. "We are simply saying that we cannot pay."

Criticism of current World Bank and IMF policy came from an unusual source Sept. 29. The director of West Germany's Deutschebank, Alfred Herrhausen, told a press conference in Washington that large-scale debt cancellation for the Third World was better than a crisis of the world banking system. Echoing French Agriculture Minister François Guillaume's call for a "Marshall Plan" for Africa, Herrhausen referred to the generous arrangements of the Marshall Plan of 1947 and the 1952 debt settlement between Germany and its former enemies, calling this an historic model for a modern-day debt cancellation policy (see *Business Briefs*).