

# **Impoverishing a Continent: The World Bank and the IMF in Africa**

**By Asad Ismi**

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## About the author

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# Introduction

*Just between you and me, shouldn't the World Bank be encouraging more migration of the dirty industries to the LDCs [less-developed countries]?... I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that...I've always thought that underpopulated countries in Africa are vastly under-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City...The concern over an agent that causes a one in a million change in the odds of prostrate cancer is obviously going to be much higher in a country where people survive to get prostrate cancer than in a country where under 5 mortality is 200 per thousand...The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods, moral reasons, social concerns, lack of adequate markets, etc.) could be turned around and used more or less effectively against every Bank proposal for liberalization.*

– Lawrence H. Summers, chief economist of the World Bank, in an internal memo dated December 12, 1991. Summers went on to become the U.S. Treasury Secretary in the Clinton Administration as well as president of Harvard University. (See Appendix).

The World Bank and the International Monetary Fund (IMF) are the two most powerful institutions in global trade and finance.<sup>1</sup> Since 1980, the United States government which dominates both bodies has used them to economically subjugate the developing world. The World Bank and the IMF have forced Third World countries to open their economies to Western penetration and increase exports of primary goods to wealthy nations. These steps amongst others have multiplied profits for Western multinational corporations while subjecting Third World countries to horrendous levels of poverty, unemployment, malnutrition, illiteracy and economic decline. The region worst affected has been Africa.

For two decades the World Bank and the IMF have forced developing countries to create conditions that benefit Western corporations and governments. These conditions are known as Struc-

tural Adjustment Programs (SAPs). SAPs require governments to: cut public spending, (including eliminating subsidies for food, medical care and education); raise interest rates, thus reducing access to credit; privatize state enterprises; increase exports; and reduce barriers to trade and foreign investment such as tariffs and import duties. These measures are supposed to generate export-led growth that will attract foreign direct investment and can be used to reduce debt and poverty.<sup>2</sup>

According to a three-year, multi-country (including three African countries) study released in April 2002 by the Structural Adjustment Participatory Review International Network (SAPRIN), which was prepared in collaboration with the World Bank, national governments and civil society, SAPs have been “expanding poverty, inequality and insecurity around the world. [They have] torn at the heart of economies and the social

fabric...increasing tensions among different social strata, fueling extremist movements and delegitimizing democratic political systems. Their effects, particularly on the poor are so profound and pervasive that no amount of targeted social investments can begin to address the social crises that they have engendered.”<sup>3</sup>

SAPRIN explains this damning indictment by identifying four ways in which reforms under SAPs have impoverished people and increased economic inequality. Firstly, trade and financial sector reforms have destroyed domestic manufacturing leading to massive unemployment of workers and small producers. Secondly, agricultural, trade and mining reforms have reduced the incomes of small farms and poor rural communities as well as their food security. Thirdly, labour market flexibilization measures and privatizations have caused mass layoffs of workers and resulted in lower wages, less secure employment, fewer benefits and “an erosion of workers rights and bargaining power.” Pri-

vatization of major national assets and essential services has also allowed multinational corporations to remove resources and profits from countries as well as increase rates for water and electricity which has hit the poor the hardest. Fourthly, the cutting of health and education spending under SAPs and the introduction of user fees for these services, when combined with higher utility rates, has resulted in “a severe increase in the number of poor as well as a deepening of poverty.”<sup>4</sup>

In the following sections we look at the effects of conditions imposed by the World Bank and the IMF’s SAPs, on Africa generally and on three African countries, Zimbabwe, Ghana and Cote d’Ivoire, in particular. But first an overview of the World Bank, the IMF and structural adjustment.

# The World Bank and the IMF

THE WORLD BANK or the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) were created in 1944 by leaders of the 44 nations at the Bretton Woods Conference. The Bank was responsible for financing long-term productive investment in member countries while the IMF was to provide loans to overcome short-term balance of payments deficits. Western leaders feared an unregulated world market would mean a return to depression, poverty and another world war.<sup>5</sup>

At Bretton Woods (located in New Hampshire, U.S.), “the decisive factor was the reality of American power.” With much of Europe destroyed by the Second World War, the U.S. was economically the world’s most powerful country; thus a U.S. vision prevailed at the conference and the World Bank and the IMF were created along U.S. lines. Unlike the U.N. also founded at the time, the World Bank and the IMF were controlled by one-dollar one-vote rather than one-country one-vote. Washington alone has a veto over decisions about the mandates and structure of the organizations. This is because the U.S.’ voting share is 17.16% in the IMF and 16.41% in the World Bank and in both organizations changes to the Articles of Agreement require 85% of the votes. Japan holds the next highest voting shares with 6.27% and 7.87% respectively.<sup>6</sup> The U.S. also has the unique privilege of appointing the President of the World Bank and is the only country entitled to a permanent place among the Bank’s executive directors.<sup>7</sup>

The World Bank Group is made up of five organizations: The IBRD which provides loans and

development assistance to middle-income and creditworthy poor countries; International Development Association (IDA), the Bank’s concessional lending arm, focused on the poorest countries to which it provides near zero-interest loans. International Finance Corporation (IFC) which finances private sector investments in the developing world and provides technical assistance to governments and businesses. Multilateral Investment Guarantee Agency (MIGA) which encourages foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risk. Lastly, the International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for arbitration of investment disputes.<sup>8</sup> As constituted, the World Bank is supposed to be both a bank and a development agency focused on poverty alleviation whereas the IMF is only a financial institution (for more on the IMF see section on structural adjustment below).

## The U.S. Connection

Washington's predominance ensured that whatever their theoretical mandates might be, the World Bank and the IMF would become instruments of U.S. foreign policy. The role of both has been to fully integrate the Third World into the U.S.-dominated global capitalist system in the subordinate position of raw material supplier and open market. As such these institutions complement the U.S.' use of the Pentagon and the CIA to crush Third World governments aspiring to independent development. A good example of this kind of coordination was the ending of World Bank loans in 1972 to the elected government of Salvador Allende in Chile—the first step in a U.S.-planned destabilization. President Richard Nixon and his National Security Adviser, Henry Kissinger, used the Bank to (as the President stated) “make the Chilean economy scream.” The subsequent economic crisis “paved the way for the bloody coup of 1973.” The U.S. then poured aid on the military dictatorship of General Augusto Pinochet who killed Allende and up to 130,000 Chileans in a 17-year reign of terror. From 1973 to 1976, the World Bank gave Chile \$350.5 million, almost 13 times the \$27.7 million it gave during the three-year Allende presidency.<sup>9</sup>

Robert McNamara, who became the World Bank's president in 1968, best epitomized the close U.S. connection. McNamara had been Secretary of Defense before being transferred to the World Bank by President Johnson. The Secretary had grown disillusioned with his idea of bombing North Vietnam since this had failed to stop Northern support for insurgency in South Vietnam. Under McNamara's presidency (1968-1981), the World Bank experienced its most dramatic growth with annual lending growing from U.S.\$2.7 billion a year to U.S.\$12 billion.<sup>10</sup> McNamara sought to speed up the Third World's integration into the global capitalist order by promoting “export-oriented growth.” He declared that development which depended on small, protected internal mar-

kets was “a losing strategy.” Instead, Third World economies should attach themselves to the expanding markets of the U.S. and other wealthy countries. McNamara wanted the World Bank to support “special efforts...in many countries to turn their manufacturing enterprises away from the relatively small markets associated with import substitution towards the much larger opportunities flowing from export promotion.”<sup>11</sup>

## Structural Adjustment

The debt crisis in the 1980s gave Washington the opportunity to “blast open” and fully subordinate Third World economies through World Bank-IMF structural adjustment programs (SAPs).<sup>12</sup> Starting in 1980, developing countries were unable to pay back loans taken from Western commercial banks which had gone on a huge lending binge to Third World governments during the mid to late 1970s when rising oil prices had filled up their coffers with petro-dollars.<sup>13</sup> The World Bank and the IMF imposed SAPs on developing countries who needed to borrow money to service their debts. The World Bank's SAPs, first instituted in 1980, enforced privatization of industries (including necessities such as healthcare and water), cuts in government spending and imposition of user fees, liberalizing of capital markets (which leads to unstable trading in currencies) market based pricing (which tends to raise the cost of basic goods) higher interest rates and trade liberalization. SAPs evolved to cover more and more areas of domestic policy, not only fiscal, monetary and trade policy but also labour laws, health care, environmental regulations, civil service requirements, energy policy and government procurement.<sup>14</sup>

With the imposition of its own SAPs in 1986, the IMF became “one of the most influential institutions in the world.” Its 2,500 staff dictate the economic conditions of life to over 1.4 billion people in 75 developing countries. As one observer put it, “Never in history has an international agency exercised such authority.” Until the 1980s, IMF



involvement with Third World countries had been short-term and its impact minimal but after the debt crisis it took on an greatly expanded role in imposing austerity conditions on countries in financial difficulties.<sup>15</sup> The Fund became the gendarme for Western commercial banks ensuring that they would get repaid and helping them “consolidate their power over poor nations.” Borrowing countries knew that they would not get further loans from other sources without the IMF seal of approval. One observer called the Fund, “a sort of Godfather figure—it makes countries offers they can’t refuse.”<sup>16</sup> Classic IMF stabilization programs involve: a standard set of policies aimed at reducing current account deficits. These invariably include a contraction of the money supply and fiscal austerity measures aimed at reducing “excessive demand” in the domestic economy; demands for strict anti-inflationary monetary policy, privatization of public enterprises, trade liberalization and dismantling of foreign exchange controls; more flexible labour markets (in other words, a lowering of labour standards) and reducing the size of the public sector. This has meant cutbacks to education, health care and the social sector, and the elimination of subsidies and marketing boards for agricultural products as well as the privatization of such basic services as potable water, health care and education.<sup>17</sup>

During 1980-93, 70 developing countries were subjected to 566 stabilization and structural adjustment programs with disastrous consequences; the 1980s became known as the “lost decade.” Between 1984 and 1990, Third World countries under SAPs transferred \$178 billion to Western commercial banks. So enormous was the capital drain from the South that Morris Miller, a Canadian former World Bank director remarked: “Not since the conquistadors plundered Latin America has the world experienced such a flow in the direction we see today.”<sup>18</sup> By severely restricting government spending in favor of debt repayment, the loan terms of the Bank and the IMF eviscerated the Third World state leaving in its wake spiraling poverty and hunger fueled by slashed food subsi-

dies and decimated health and education sectors. Growth stagnated and debt doubled to over \$1.5 trillion by the end of the 1980s, doubling again to \$3 trillion by the end of the 1990s.<sup>19</sup> As U.N. Secretary General Javier Perez de Cuellar noted in 1991: “The various plans of structural adjustment—which undermine the middle classes; impoverish wage earners; close doors that had begun to open to the basic rights of education, food, housing, medical care; and also disastrously affect employment—often plunge societies, especially young people, into despair.”<sup>20</sup>

After 15 years of following World Bank and IMF-imposed policies, Latin America, by the late 1990s, was going through “its worst period of social and economic deprivation in half a century.” By 1997, nearly half of the region’s 460 million people had become poor—an increase of 60 million in ten years. Populations, overall, were worse off than they were in 1980. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) stated in 1996: “the levels of [poverty] are still considerably higher than those observed in 1980 while income distribution seems to have worsened in virtually all cases.”<sup>21</sup>

SAPs imposed on Peru by the World Bank and the IMF pushed four million people into extreme poverty, almost halved real wages, and cut those with “adequate employment” to 15 percent of the workforce. Consequently, there was a forced migration of impoverished peasants and urban unemployed into coca growing (for drug traffickers) as an alternative to starvation. In 1991, in exchange for \$100 million from the United States, Peru put in place the IMF structural adjustment clause opening its markets to U. S. corn. As a result, by 1995, corn cultivation had fallen tenfold and coca production had grown by 50 percent. Under these conditions, corruption flourished; indeed almost an entire economy was criminalized. Increased coca production meant more cocaine trafficking which led to deepening official corruption in Peru as the amount of money in the hands of drug lords increased.<sup>22</sup>

An IMF-sponsored stabilization package implemented in Peru in 1990 had the following consequences: “From one day to the next, fuel prices increased 31 times—by 2,968%. The price of bread increased 12 times—by 1,150%. The prices of most basic food staples increased by six or seven times—446% in a single month—yet wages had already been compressed by 80% in the period prior to the adoption of these measures in August 1990.”<sup>23</sup> IMF SAPs were first imposed on Mexico in 1982; in the following decade infant deaths due to malnutrition tripled, the minimum wage fell by 60% and the percentage of the population living in poverty rose from less than half to more than two-thirds. More recently, World Bank-IMF SAPs played a major role in causing the collapse of the Argentine economy in December 2001; these SAPs also fuelled the Asian financial crisis of 1997.<sup>24</sup>

## LIC-FLIC

The World Bank-IMF SAPs were “the second prong of the massive assault that Washington mounted against the South” during the 1980s. The other prong was “low-intensity conflicts” (LIC), the U.S. launched against governments in Afghanistan, Angola, Nicaragua, Panama, and Grenada, and against liberation movements in El Salvador, Guatemala, and the Philippines. One observer has called the World Bank-IMF debt management strategy, “financial low-intensity conflict” (FLIC). U.S. officials are clear about the link between economic and military strategies in controlling the Third World. The Presidential Commission on Integrated Long-Term Strategy stated in 1988: “We... need to think of low-intensity conflict as a form of warfare that is not a problem just for the Department of Defense. In many situations, the United States will need not just DoD personnel and material but diplomats and information specialists, agricultural chemists, bankers and economists...and scores of other professionals.”<sup>25</sup>

The Reagan Administration came into office in 1980 determined to discipline an increasingly independent Third World and make it serve U.S. economic interests. The 1950-1980 era was marked by high economic growth rates in parts of the developing world as well as successful national liberation struggles. The Administration’s sense of “a rising threat from the South” was fed by the humiliating U.S. defeat in Vietnam, the Nicaraguan revolution, the OPEC oil embargoes of 1973 and 1979, the threat of new cartels for other raw materials, the Iran hostage crisis, restrictions on multinational corporations in Mexico and Brazil, and the Third World’s demand for a New International Economic Order (NIEO).<sup>26</sup> Since the Third World state was the main culprit in all these threats, this is what had to be broken down through both LIC and FLIC. In the case of Nicaragua, Reagan used the Contras to militarily attack the revolutionary Sandinista government and the World Bank to pressure it economically as Nixon had done with Chile. Thomas Clausen, Reagan’s appointed World Bank President, stopped all loans to Nicaragua in 1982.<sup>27</sup>

By 1993 when the Reagan-Bush period ended, “the South had been transformed” by the LIC-FLIC combination. Radical governments and liberation movements had been defeated, overthrown or compromised, the state’s role in the economy had been drastically reduced, government enterprises had been privatized on a massive scale, limits on foreign investment and protectionist barriers to Northern imports had been removed (ensuring an open market) and the emphasis on export growth had integrated Third World economies into the global capitalist system as raw material suppliers.<sup>28</sup> Even Vietnam was under World Bank-IMF tutelage. The World Bank and the IMF thus proved to be extremely effective instruments of U.S. policy: their neocolonization of the Third World through SAPs ensured that 80% of humanity would remain servants of the West.

# Adjusting Africa

ACCORDING TO THE UN Economic Commission for Africa (ECA) “the major thrust of economic policy making on the continent has been informed for the last decade or so by the core policy content of adjustment programs (of the type supported by the IMF and the World Bank).”<sup>29</sup> The *New York Times* called the World Bank and the IMF, “the overlords of Africa.” Beginning in 1980, SAPs have been imposed on 36 of Sub-Saharan Africa’s 47 countries.<sup>30</sup>

As a result of SAPs, Africa is more integrated into the global economy than ever. SAPs’ emphasis on export-led growth has significantly expanded African trade levels. From 1989 to 1999, Sub Saharan Africa’s trade as a percentage of GDP (a key indicator of globalization) increased from 78.1% to 95.6%; in dollar terms, trade grew from \$175 billion in 1990 to \$187 billion in 1999; for the same period, foreign direct investment jumped from \$923 million to \$7.9 billion in 1999 and portfolio investment (for equity) shot up from \$2 million to \$3.9 billion; debt service increased from 12.9% to 13.9% of exports. Only official aid to Sub Saharan Africa fell from \$19.4 billion in 1994 to \$12.5 billion in 1999.<sup>31</sup> But contrary to World Bank dogma, export expansion and rising foreign investment in Africa have not increased growth or reduced debt and poverty—in fact, as seen below, they have had exactly the opposite effect. Most African exports are raw materials and non-oil commodity prices have dropped by 35% on average since 1997.<sup>32</sup> Foreign investment contributes little to African economies due to incentives given to the companies such as tax holidays and profit repatriation allowances. After considerable social and economic progress during 1960-1980, the

following 20 years of structural adjustment have devastated the continent.

## Impacts of Adjustment

### Slower Growth

During 1960-1980, Sub Saharan Africa’s GDP per capita grew by 36%; in the 1980-2000 period it actually fell by 15%. As the Center for Economic and Policy Research puts it, “These are enormous differences by any standard of comparison and represent the loss to an entire generation—of hundreds of millions of people—of any chance of improving its living standards.”<sup>33</sup>

### Increased Poverty

According to the World Bank, in 2003, over 350 million people (more than half of Africa’s population of 682 million) lived below the poverty line of U.S.\$ 1 a day, a 75% increase over the 200 million figure for 1994.

### Lower Incomes

Africa’s estimated per capita income in 1990 was at the same level it had been in 1960. Per

capita incomes for most Sub Saharan countries fell by 25% during the 1980s and for 18 countries these incomes were lower in 1999 than in 1975. In 1960, Sub-Saharan Africa's per capita income was about 1/9 of that in high-income OECD countries; by 1998, it had deteriorated dramatically to about 1/18.

## Low Human Development Indicators

According to the UN Development Programme (UNDP), 80% of low human development countries—those with low income, low literacy, low life expectancy and high population growth rates—are in Africa.<sup>34</sup> Average life expectancy for Sub Saharan Africa is only 47 years (the lowest in the world), a drop of 15 years since 1980. Forty per cent of the population suffers from malnutrition that causes low birth weight among infants and stunts growth in children. In 2000, 30% of children under five were underweight in Sub-Saharan Africa; thirty-seven percent of such children were under height.<sup>35</sup>

## Increased Debt Burdens

Under SAPs, Africa's external debt has increased by more than 500% since 1980 to \$333 billion today. SAPs have transferred \$229 billion in debt payments from Sub-Saharan Africa to the West since 1980. This is four times the region's 1980 debt. In the past decade alone, African countries have paid their debt three times over yet they are three times as indebted as ten years ago. Of Sub-Saharan Africa's 44 countries, 33 are designated heavily indebted poor countries by the World Bank. Africa, the world's poorest region, pays the richest countries \$15 billion every year in debt servicing. This is more than the continent gets in aid, new loans or investment. Jubilee 2000 U.K. warns that "Foreign indebtedness now poses a fatal impediment to Africa's development." In 1997, the UNDP stated that in the absence of debt payments, severely indebted African countries could have saved the lives of 21 million people and given 90 million girls and women access to basic education

by the year 2000. The All-African Conference of Churches has called the debt "a new form of slavery, as vicious as the slave trade." According to Africa Action, a Washington D.C.-based advocacy group: "The U.S. appears unwilling to support debt cancellation for Africa because the U.S. actually gains a great deal from Africa's economic enslavement. The U.S. and other rich countries, as well as the World Bank and IMF, use Africa's debt as leverage to manipulate the continent's economic fate to serve their interests."<sup>36</sup>

## Decrease in Health Care and Increase in Disease

Africa spends four times more on debt interest payments than on health care. This combined with cutbacks in social expenditure caused health care spending in the 42 poorest African countries to fall by 50% during the 1980s. As a result, health care systems have collapsed across the continent creating near catastrophic conditions. More than 200 million Africans have no access to health services as hundreds of clinics, hospitals and medical facilities have been closed; those remaining open were generally left understaffed and without essential medical supplies.<sup>37</sup> This has left diseases to rage unchecked, leading most alarmingly to an AIDS pandemic. With about 12% of the world's population, Africa accounts for 80% of the world's deaths due to AIDS and almost 90% of the world's deaths due to malaria. More than 17 million Africans have died of HIV/AIDS and an estimated 28 million of the 40 million people living with the disease worldwide are in Sub-Saharan Africa. More than 12 million African orphans have lost their mothers or both parents to AIDS. Presently, Malaria is killing 900,000 people annually across the continent and according to the World Health Organization (WHO) 3.3 million Africans will have tuberculosis by 2005.<sup>38</sup>

## Lack of Clean Drinking Water

More than half of Africa's population is without safe drinking water and two-thirds do not have

access to adequate sanitation.<sup>39</sup> Water privatization schemes in Ghana and South Africa are further depriving poor people of access to potable water.

## Decrease in education Levels

Ten African governments spent more on debt repayments than on primary education and health care combined in 2002. Forty percent of African children are out of school and Africa is the only region where this number is rising.<sup>40</sup> Between 1986 and 1996, per capita education spending fell by 0.7% a year on average. The adult literacy rate in Sub-Saharan Africa is 60%, well below the developing country average of 73%.<sup>41</sup> More than 140 million young Africans are illiterate.<sup>42</sup>

Given the horrifying social impact of SAPs all over Africa, it is not surprising that Emily Sikazwe, director of the Zambian anti-poverty group “Women for Change,” asked: “What would they [the World Bank and the IMF] say if we took them to the World Court in The Hague and accused them of genocide?”<sup>43</sup>

## HIPC

In response to public demands to address the debt crisis of poor countries and provide debt relief, the World Bank and the IMF introduced the Highly Indebted Poor Countries (HIPC) initiative in 1996. This has been seen as a failure due to the limited debt relief provided and its SAP requirements. Countries must successfully complete six years of structural adjustment before they become eligible for debt relief under HIPC. By the end of 2000, the 22 countries promised debt relief under HIPC had their debt reduced by \$34 billion which is equivalent to only 8% of the total debts of the 52 low income countries.<sup>44</sup> For Mali and Burkina Faso, an internal World Bank-IMF report projects that debt service payments will actually increase

after debt relief under HIPC.<sup>45</sup> As Jubilee 2000 put it, “The HIPC is failing because it is a creditor-controlled process, designed to limit creditor losses, while increasing creditor leverage over HIPC countries. Its objective is not debt sustainability for poor countries, but rather to limit losses for rich countries.”<sup>46</sup>

## PRSPs

In another attempt at repackaging structural adjustment, the World Bank and the IMF introduced Poverty Reduction Support Papers (PRSPs) in 2000 which were supposed to transform SAPs into poverty reduction programs established by national governments who would consult with civil society in writing the PRSPs. However, country experiences with PRSPs show that the essence of SAPs has not changed; SAP orthodoxy is being grafted on top of PRSPs. This is confirmed by John Page of the World Bank who explained: “The PRSP is a compulsory process wherein the people with the money tell the people without the money what to do to get the money.”<sup>47</sup> A recent report on the PRSP process in Uganda found that “Ugandan NGOs were invited to provide input on the development of the poverty-reduction goals, but not on the nature of the policies to achieve those goals.” The IMF publicly claimed that “key macroeconomic policies, including targets for growth and inflation, and the thrust of fiscal, monetary, and external policies, as well as structural policies to accelerate growth, [would be] subjects for public consultation;” these consultations, however never took place in Uganda. The PRSP loan policies “were determined by the IMF and World Bank representatives in consultation with small technical teams within the Ministry of Finance and the Central Bank.”<sup>48</sup> *The Case of Uganda*, April 2002, pp. 4-5.

# Zimbabwe

DURING THE 1980s, Zimbabwe's economic growth rate averaged about 4% a year. Its exports were increasingly manufactured goods, debts were regularly repaid, food security was attained, and education and health services were greatly expanded by major increases in government spending. Consequently, the infant mortality rate fell from 100 per 1,000 births to 50 between 1980 and 1988 and life expectancy increased from 56 to 64 years. Primary school enrollment doubled.<sup>49</sup>

Zimbabwe implemented structural adjustment in 1991 when it signed an agreement with the IMF in exchange for a \$484 million loan. The government turned to the Fund in an effort to “jump start economic growth” after several years of economic stagnation. The IMF's SAP for Zimbabwe required reducing trade tariffs and import duties, eliminating foreign currency controls, removing protections for the manufacturing sector, deregulating the labour market, lowering the minimum wage, ending employment security, cutting the fiscal deficit, reducing the tax rate and deregulating financial markets.<sup>50</sup> These measures brought “massive closings of companies,” leading to increased poverty and unemployment. The Zimbabwean economy went into recession in 1992 when real GDP fell by nearly 8%. Twenty-five percent of public workers were laid off and unemployment reached between 35% and 50% in 1997. By 1999, 68% of the population was living on less than \$2 a day and with the collapse of wages many workers lived far below the poverty line.<sup>51</sup>

Manufacturing production “has been the main victim of liberalization policies” its share of the GDP falling to 16% during the 1990s for the first

time since 1960, compared to an average of 25% during 1970-1990. Manufacturing output declined more than 20% between 1991 and 2000 due to high interest rates and the cost of foreign currency. The sector has stagnated since the introduction of the SAP and the loosening of import controls, and the 1990-97 period has been characterized by “a lack of industrial development.”<sup>52</sup> Zimbabwe's real GDP per capita fell by 5.8% during 1991-1996 and total private investment fell by 9% between 1991-96. During the same period, private per capita consumption dropped by 37%. “This alone transformed the group of those who lost from the reforms from a minority to a majority.”<sup>53</sup> Employment growth in manufacturing fell from 3% during 1985-1990 to -3% in 1999-2000.<sup>54</sup> Real wages declined by 26% between 1991-96 to the point where even those with full-time jobs were no longer guaranteed a living wage; food prices rose faster than other consumer prices, having the greatest impact on the rural poor.<sup>55</sup>

Farmers have been hurt by high interest rates, the removal of subsidies on agricultural inputs and a reduction of government spending on roads and transport systems. The price of fertilizer has shot

up 300% in five years leading to the drastic reduction of acreage under cultivation. Trade liberalization has resulted in a shortfall in maize production (required for human consumption and livestock feed) which experienced a persistent surplus before 1991.<sup>56</sup>

The IMF required that Zimbabwe reduce non-interest expenditures by 46%. Though the government never met this incredible target, health care spending under the SAP fell to 4.3% of the budget in 1996 from 6.4% in 1990. The per capita budget for health care fell from U.S.\$22 in 1990 to U.S.\$11 in 1996. As the SAPRIN study states “[Zimbabwe’s] public health budget is not enough to meet health needs. The per capita budget has fallen since 1991 to a level where it does not even pay for prevention, clinics and district hospital costs per capita.” Education spending also declined significantly under the SAP by 36% and 25% respectively for primary and secondary education between 1990-94. Teachers’ wages fell by at least 26% during 1990-93.<sup>57</sup>

The establishment of user fees for health care services led to dramatic cost increases for patients “in some cases exceeding 1000%.” This has resulted in “a serious negative impact on the utilization of health care services in both rural and urban areas particularly for the poor.” The drop in health care spending has caused a 30% decline in the quality of health care services. Twice as many women were dying in childbirth in Harare hospitals in 1993 than before 1990. High rates of stunting and wasting in children under five were found in 1998 especially in rural areas. Infant and child mortality

rates have also been increasing and life expectancy at birth has dropped from 61 to 48 years. By 1995, the number of cases of tuberculosis had quadrupled. As a Harare newspaper put it, “In the context where the HIV/AIDS pandemic is claiming 1,700 people a week....the deplorable state of the health delivery system could be seen as a bombshell of seismic proportions.” One fourth of Zimbabwe’s population is infected with HIV/AIDS.<sup>58</sup>

The IMF’s fiscal demands have thus created a health care crisis in Zimbabwe and reversed “the previous trend of improving health outcomes.”<sup>59</sup>

Similarly, the introduction of user fees in education has “led to a dramatic increase in dropout rates.” By 2000, only 70% of children completing primary school were going on to secondary school and the fourth and final year of lower secondary school had an average dropout rate of 92% for males and 93.4% for females during 1990-97.<sup>60</sup>

SAPs emphasize export-led growth in order to generate foreign currency to reduce debt. However, trade liberalization in Zimbabwe’s case (and that of many other countries) has led to imports growing more than exports; this has raised trade and current-account deficits thereby significantly increasing the country’s debt burden.<sup>61</sup> Overall, structural adjustment in Zimbabwe has gutted an economy making rapid progress before 1991. The SAP has destroyed Zimbabwe’s productive capacity<sup>62</sup> causing massive unemployment and poverty; the reforms have further impoverished Zimbabweans by denying them access to health care and education.

# Ghana

STRUCTURAL ADJUSTMENT has had a similar impact on Ghana where it was first implemented in 1983 under a military government. Seen as a “star pupil” by the World Bank and the IMF, Ghana privatized more than 130 state enterprises<sup>63</sup> including the mining sector (its main source of revenue), removed tariff barriers and exchange regulations and ended subsidies for health and education. As a result 20% of Ghanaians are unemployed and the cost of food and services has gone beyond the reach of the poor.<sup>64</sup>

GDP per capita was lower in 1998 (\$390) than it was in 1975 (\$411); 78.4% of Ghanaians live on \$1 a day and 40% live below the poverty line; 75% have no access to health services and 68% none to sanitation.<sup>65</sup> As with Zimbabwe, the World Bank’s emphasis on export expansion to reduce debt has only increased Ghana’s external debt from \$1.4 billion in 1980 to \$7 billion in 1999. This has made Ghana subject to the World Bank’s Highly Indebted Poor Countries (HIPC) initiative.<sup>66</sup>

In agriculture, Ghana used to be self sufficient in rice but the World Bank insisted that subsidies had to stop and markets had to open. As a result, the Katanga valley, once Ghana’s rice bowl now lies fallow and U.S. rice has become the staple for Ghanaians. Why is this? Because U.S. rice is subsidised and therefore cheaper than that grown in Ghana.<sup>67</sup>

The introduction of user fees for health care in 1985 combined with falling wages and increasing poverty has reduced out-patient attendance at hospitals by a third especially in rural areas. As one observer put it, “Patients pay for everything - for surgery, drugs, blood, scalpel, even the cotton wool.” This is what the World Bank calls “full cost

recovery” and it has priced the poor out of hospital care. Those who use services and cannot afford to pay such as Betty Krampa, who gave birth in Tarkwa General Hospital, are kept prisoner until the fees are collected.<sup>68</sup> User fees in education have raised the primary school drop-out rate to 40%. Sharp fee rises at the secondary and again at the college level have led to only one in 400 Ghanaians being enrolled at post secondary institutions. As the SAPRIN study notes, “User fees have led to increasing inequalities both between and within communities as the poor are left behind.”<sup>69</sup>

Ghana’s SAP experience has been particularly damaging in the areas of mining sector reform and privatization of water. Gold mining is Ghana’s main source of revenue and foreign exchange. In 1998, gold exports totalled \$793 million which was 46% of gross foreign exchange earnings.<sup>70</sup> Under the SAP, beginning in 1986, there has been massive privatization of the mining sector accompanied by generous incentives for companies which include the repatriation of up to 95% of their profits into foreign accounts and the ending of income tax and duties. Environmental regulation has been minimized. Such a favourable investment climate has



attracted multinational corporations and boosted production. Seventy to eighty-five percent of the large-scale mining industry is now foreign owned (the government owned 55% of all mining companies before 1986) with more than half the 200 active concessions belonging at least in part to Canadian companies. Ghana is now Africa's second largest producer of gold after South Africa and gold constitutes more than 90% of the total value of minerals output. Gold production reached a record high in 1995 and has since gone up by a further 45%.<sup>71</sup>

All this has, however, not benefited the Ghanaian economy and people. As the SAPRIN study states: "liberalization, deregulation and privatization of the mining sector have enabled transnational corporations to remove resources and profits from poor countries while failing to generate sustainable economic growth that is of net benefit to national or local economies." Due to the tax breaks and incentives given to foreign companies, mining's net foreign exchange contribution to Ghana's economy has been minimal. The sector's contribution to government revenue has also been small at 14.4% in 1995. Mining's ability to generate employment is also limited given that all operations are of the surface-mining kind which is capital-intensive. The sector employs about 20,000 people but privatization and the decline in commodity prices has led to cost-cutting which has meant massive layoffs; many mines substantially reduced their labour force particularly during 1997-2000. At the same time mining has caused high unemployment in surrounding communities by taking away large tracts of land from farmers and not providing enough jobs to make up for the number of people laid off from agriculture.<sup>72</sup>

The district of Tarkwa which contains half of Ghana's large mines shows the enormous social and environmental impact of the gold boom. Mining here displaced 30,000 people during 1990-98, contaminated rivers and streams and destroyed farm and forest lands. Two-thirds of the land in Tarkwa has been sold off to multinationals with minimal compensation to local owners. The dislocation ef-

fects "every aspect of the social fabric" and has led to high levels of prostitution, a rise in the incidence of AIDS, family disorganization and unemployment as people lose their farms. The police have intervened when people have refused to leave and demanded fair compensation from the company for their lost land, crops and home. In December 1999, police shot and wounded nine people during demonstrations against the lay off of 1,000 workers by Goldfields (Ghana) Limited (18.9% owned by IAMGOLD Corporation of Toronto).<sup>73</sup>

Air and water pollution stemming from mining operations in Tarkwa have spread malaria, tuberculosis, silicosis, acute conjunctivitis and skin diseases. The mines use cyanide heap leach technology which involves spraying cyanide on ore to extract gold. The dams used to hold the cyanide in tend to fail. In June 1996, a spill at Teberebie Goldfields sent 36 million litres of cyanide solution into the Angonaben stream, a tributary of the Bonsa River. Cocoa crops and fish ponds were destroyed and local people complained of rashes. The affected farmers sued the company for compensation in 1997 and the case continues.<sup>74</sup>

Not satisfied with mining's destruction of forestry, the World Bank has pushed the government to intensify commercial forestry. Timber production more than doubled between 1984 and 1987, speeding up the destruction of Ghana's already diminished forest cover, which is now 25 percent of its original size. Ghana is expected to soon become a net importer of wood from being a net exporter.<sup>75</sup>

The SAP has denied Ghanaians not only their most lucrative resource but also their most basic and necessary one: water. The World Bank has decreed the privatization of Ghana's water supply for the purpose of "increased cost recovery" (as with health care and education) arguing that a debt-laden government should not subsidize water and sanitation (never mind that many industrialized countries do). Instead, consumers will have to cover the costs of operating, maintaining and expanding water services. This will mean higher water rates

for people who have already been made amongst the poorest in the world by the World Bank's SAP. Thirty-five percent of Ghanaians lack access to safe water; poor and very poor households who have no water pipes laid to their residence make up 50 to 70% of Accra's (Ghana's capital) population. These households buy water or get it from untreated hand-dug wells. As Rudolf Amenga-Etego of the Integrated Social Development Centre in Ghana explained: "Most people in Accra do not earn the minimum wage [5,000 cedis a day] and a significant number have no regular employment. An average price for a bucket of water which used to be 400 cedis rose to 800 cedis following an over 100% increase in water and electricity tariffs announced on April 20, 2001. Privatization is expected to increase water tariffs even further. The current water tariff rates that the government of Ghana and the World Bank think are below the market rate are already beyond the means of most of the population. So how will the population possibly be able to absorb a so-called "open market" price in the context of privatization?...As water becomes less affordable, it is highly likely that there will be a corresponding increase in diseases stemming from reduced access to clean water."<sup>76</sup>

The water privatization process in Ghana has been marred by scandal and accusations of corruption. In 2000, the government awarded the

contract to Enron/Azurix, a consortium of British and American companies. Enron, the biggest bankruptcy in U.S. history, is now of course a byword for fraud and corruption. The contract had to be withdrawn due to public protest in reaction to allegations that a \$5 million kickback had been paid to the Minister of Works and Housing. The bidding process was started again but remained untransparent. Two of the corporations bidding for the water service, Lyonnaise des Eaux and Bouygues/Saur have annual sales larger than Ghana's GDP which limits government influence over them. Both these companies have been dogged by corruption scandals in France and Lesotho.<sup>77</sup> Joseph Stiglitz, former Chief Economist at the World Bank, called privatization, "briberization." He spoke of "national leaders told to sell their countries' water and electricity companies, who were keen to get commissions paid into Swiss bank accounts." As he put it, "You could see their eyes widen" at the prospect and "objections to selling off state industries were silenced."<sup>78</sup>

Clearly, the World Bank's structural adjustment of Ghana is a textbook example of how to ruin a country. The ruthless denial of mineral wealth, food, medical care, education and even water has made the population destitute spectators to the plunder of Ghana by foreigners.

# Cote d'Ivoire

AFTER TWO DECADES of economic growth starting in 1960, Cote d'Ivoire experienced economic decline in the 1980s due to falling world prices for coffee and cocoa, its main exports. The country came under World Bank/IMF structural adjustment in 1989. Under the SAP, Cote d'Ivoire was required to cut government spending by 30%, capital expenditures by 15%, increase taxes, privatize state enterprises, deregulate the labour market, reduce the civil service, eliminate price controls, devalue the currency and enact trade and financial reforms.<sup>79</sup>

As one observer put it, "the social impact of IMF structural adjustment on Cote d'Ivoire was severe." During 1989-1993, per capita GDP fell by 15%. "Between 1988-1995, the incidence and intensity of poverty doubled, with the number of people earning less than \$1 a day increasing from 17.8% of the population to 36.8%. In the largest city, Abidjan, the rate of urban poverty rose from 5% to 20% between 1993 and 1995. During 1990-1995, public spending on education fell by more than 35% and that on health fell slightly. By 1995, only 45% of girls from the poorest quintile of households were getting primary education. The enrollment rate at the secondary level fell from 34% to 31% between 1986 and 1995. After user fees were mandated for the public health care system by the IMF in 1991, many health problems deteriorated. The incidence of stunted growth in children shot up from 20% in 1988 to 35% in 1995. A study of the SAP carried out by Harvard University concluded that "the required reductions in public expenditures were imposed on a system which was already failing to meet basic social needs." As with Zimbabwe and Ghana, structural adjustment only increased Cote d'Ivoire's external

debt which grew by \$3.7 billion during 1989-1991. According to the Harvard study, Cote d'Ivoire's external debt increased from 132.4% to 210.8% of GDP.<sup>80</sup>

A horrendous consequence of increased poverty in both Cote d'Ivoire and Ghana has been the encouragement of widespread child slavery. Cote d'Ivoire is the world's leading cocoa producer with 40 percent of global output and Ghana ranks second. Those who own the countries' large cocoa plantations use children to clear land for the planting of cocoa trees, and for weeding and harvesting crops. The boys and girls who are as young as 7 years are unpaid or paid "pitiful amounts." Cocoa is used to make chocolate and also in the beverage industry. According to a documentary produced by Channel Four in England, 90% of the cocoa farms in Cote d'Ivoire use child slave labour which harvests most of the cocoa imported into England from there.<sup>81</sup>

Working conditions for the children have been described as "akin to hell." They include twenty hour work days (seven days a week), malnutrition, the threat of physical, psychological and sexual abuse as well as poisoning by chemicals. The story

of 'ID' (which he related when he was 15) is typical: "Our day began at 5 am. Carrying heavy tools on our head, we had to walk six kilometres through mud and stones in bare feet to reach the fields. By the time we reached them we were soaked through and exhausted. Once we arrived the overseer showed us the area we each had to plant before the day's end. We were afraid of what he would do to us if we could not finish the work. This threat and the threat of being denied food if we could not finish in time forced us to work quickly. The work was hard and bending all day gave us back pains. If we were ill and couldn't work we were afraid that we would be tortured to death. One day I witnessed two of my colleagues being tortured for trying to escape. They became seriously ill and died."<sup>82</sup>

The children's parents are compelled by poverty to sell them to middlemen for as low as \$10. The World Bank agrees with UNICEF and the ILO that poverty is the main cause for this trafficking in children.<sup>83</sup> According to Anti-Slavery International, "slavery... needs to be tackled at its source. Poverty and the lack of education and health care are central to child trafficking's existence."<sup>84</sup> Thus, by doubling poverty levels and reducing public access to health care and education in Cote d'Ivoire and Ghana, the World Bank has literally transformed debt into slavery confirming the statement made by the All-African Conference of Churches.

# Conclusion: Alternative Strategies

TWENTY YEARS of World Bank and IMF SAPs have de-developed Africa and left it in a state of economic and social collapse. The destructive effect of these two institutions cannot be over-emphasized. The elimination of the Bank and the Fund along with the end of SAPs is a prerequisite for any kind of progress. This needs to be followed by the total cancellation of Africa's debt. However, the World Bank and the IMF are not the main problem; they are merely instruments for the imposition of a U.S. imperial design upon Africa and the rest of the Third World.

Thus in the guise of economic measures, Africa is faced with a political strategy to recolonize it and therefore must firstly come up with a political answer. For this the continent needs to draw upon its anti-imperialist revolutionary tradition personified by leaders and thinkers such as Patrice Lumumba, Samora Machel, Thomas Sankara, Kwame Nkrumah, Steven Biko, Frantz Fanon and Julius Nyerere. Sankara, the late President of Burkina Faso, was overthrown and assassinated in a military coup after refusing to pay his country's debt. Shortly before his murder he stated in a speech at the Organization of African Unity (OAU) Summit in 1986:

The Debt problem needs to be analysed starting from its origins. Those who lent money to us are the same people who colonised us, are the same who so long managed our states and our economies; they indebted Afrika with 'donations' of money. We were not involved in the creation of this Debt, so we should not pay it.

The Debt, moreover, is linked to the machinery of neo-colonialism: the colonisers became technical assistants; I would call them technical assassins; and they suggested, recommended to us the financiers; they told us about the financial advantages. That is why we indebted ourselves for decades and renounced the satisfaction of our people's needs. In today's shape, controlled and dominated by imperialism, the foreign Debt is a well-organised tool of colonial re-conquest: in order to make the Afrikan economy a slave of those who were so clever as to give us capital with the obligation of reimbursing them. We are asked to reimburse our Debt. But if we do not pay, the capital lenders will not die; if we pay, we will die. We cannot pay; and we don't want to pay.

We are not responsible for the Debt burden. We have already paid a lot of the Debt. We are asked to co-operate in researching balance mechanisms: balance in favour of

those who own the financial institutions and use the power against the peoples. We cannot be accomplices. The Paris Club is there; let's create the Addis Ababa Club for cancelling our foreign Debt. Our Club should say: our Debt will not be paid. Don't think it is a proposal made only by young people like us. Mrs. Bruntland said African countries cannot pay, as did Mr. Mitterand and Fidel Castro. ... we should explain in other conferences that we cannot pay. We must be united, otherwise, individually we will be murdered. Avoiding Debt repayment is a *condicio sine qua non* to allow us to free resources for our development.<sup>85</sup>

Only a revolutionary, anti-imperialist African leadership can implement alternative development strategies at the national level. These leaders would need to be united on a continental basis in their refusal to pay the debt as Sankara emphasized. Their developmental agenda would need to include:

- (A) Participation: There is a crucial need for governments to consult their poor majorities, so damaged by SAPs, about the best development course to take; development must not remain an "elite" issue. Farmers, workers, women's groups and students amongst others should be engaged in discussion and debate and participate in setting economic policy according to national and regional priorities and not those set in Washington for the interests of rich Western countries. This will produce a diversity of solutions for different countries rather than the irrational uniformity of SAPs. Such dialogue and diversity is the key to successful development.
- (B) Redistribution: The first task of a radical state must be redistribution of wealth in order to eliminate poverty and help create a domestic market. Since most African countries are still largely agricultural this means large-scale land reform. It also includes official provision of

essential services such as education, medical care, water and electricity, free of charge.

- (C) Promotion of Agriculture: Land reform should increase production, and generate a surplus for industrialization. Cheap agricultural imports should be banned in order to protect farmers and farm inputs should be subsidized and credit provided.
- (D) An industrial strategy: Industry should be agriculture-linked and aimed at supplying the needs of farmers. The increased buying power of industrial workers will in turn provide an expanding market for farm goods.<sup>86</sup> Such a strategy emphasizes utilizing the productive labour of a country instead of consigning workers and farmers to unemployment and poverty as SAPs do. Only the encouragement of productive activity both agricultural and industrial can generate jobs, income and a rising standard of living. This will require protecting domestic industry through high tariffs and import duties as well as stringent exchange controls and strict limits on foreign investment.
- (E) Regional Integration: This will mean one African market for the continent's manufactured goods which would lessen its external dependence, promote export diversification and lead to greater value-added of local products. Integration will also include setting up cartels for exports such as coffee and cocoa to ensure a fair price. As one observer put it "The new approach must also focus on the search for the continent's collective self-reliance on essential and strategic needs, at the agricultural and industrial level. For this, it must be within African integration, a fundamental framework of sustainable endogenous development. It is a truism to say that without integration, Africa has no chance to develop. The vicissitudes of history have made Africa one of the most fragmented continents in the world. That is one of the essential factors for its current marginalization."<sup>87</sup>

(F) South-South cooperation: Greater trade and exchanges and political coordination with the rest of the Third World will lessen African dependence on developed countries and strengthen the continent's position in relation to the West. The Group of 77 now contains 133 countries (including many African ones) which make up 80% of the Earth's population. At the Group's summit in Havana in 2000, the delegates called for a "new Global Human Order" aimed at reversing the growing disparities between rich and poor and giving developing countries much more control over the world financial system. Many Third World leaders sharply criticized the World Bank and the IMF for stabilizing poverty.<sup>88</sup>

The African leadership required to carry out the above development strategy at the national level does not exist at the moment but the people of Africa are moving ahead of their rulers. The Dakar 2000 conference (held in Dakar, Senegal) brought together leaders of NGOs and social movements from all over Africa in December 2000 to analyze the debt crisis and the impacts of IMF/World Bank Structural Adjustment Programs on African populations. In contrast to speaking the language of exploiters, conference participants called for a "radical change in policies," total cancellation of the debt and an end to SAPs; the debt and SAPs were regarded as "the principal causes for the degradation of health, education, nutrition, food security, the environment and sociocultural values of the African and Third World populations." Delegates also considered strategies for resistance to the neoliberal model and endorsed alternative approaches including some of those discussed

above. The Dakar Declaration called Third World debt to the North "fraudulent, odious, illegal, immoral, illegitimate, obscene and genocidal" and added "Countries of the North owe Third World countries, particularly Africa, a manifold debt: blood debt with slavery; economic debt with colonization, and the looting of human and mineral resources and unequal exchange; ecological debt with the destruction and the looting of its natural resources; social debt (unemployment; mass poverty) and cultural debt (debasement of African civilizations to justify colonization)."<sup>89</sup>

The Dakar Manifesto stressed that "The need for an approach to endogenous development proceeds from the basic historical fact that there is no "universal model", out of space and time, e.g., valid everywhere and at all time. Development depends on the history, culture and experience of a people. It cannot be a carbon copy of another experience, especially one based on a reductionist view of the true history of the people, full of abiding cultural prejudices and built on the domination, exploitation and looting of the resources of other peoples." The conference called for "a vision of development inspired by the values of the African political, social, cultural, economic and scientific Renaissance promoted by an African people's consensus. The fundamental values associated with this Renaissance include restoring confidence in Africans, rejecting all forms of exploitation and domination, reinforcing the culture of solidarity and the spirit of self-reliance, relying on the creative genius of the African people in order to create a new civilization of autonomous development so as to bring a great contribution to world civilization."<sup>90</sup>

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# Appendix

## **Lawrence Summers Memo (on p. 4)**

After the memo became public in February 1992, Jose Lutzenburger Brazil's Secretary of the Environment at the time, replied to Summers: "Your reasoning is perfectly logical but totally insane... Your thoughts [provide] a concrete example of the unbelievable alienation, reductionist thinking, social ruthlessness and the arrogant ignorance of

many conventional 'economists' concerning the nature of the world we live in... If the World Bank keeps you as vice president it will lose all credibility. To me it would confirm what I often said... the best thing that could happen would be for the Bank to disappear." Lutzenburger was fired soon after writing this letter.

Summers memo and Lutzenburger response quoted at: <http://www.whirledbank.org/ourwords/summers.html>

