

African institute debunks IMF programs

by Bado Onimode

Professor Onimode is chairman of the Institute for African Alternatives, a Nigeria-based organization supported by eminent persons in that country.

The attention of the Institute for African Alternatives (IFAA) has been drawn to the false claim of the International Monetary Fund (IMF) that its Structural Adjustment Program (SAP) is the only hope for the economic development of African countries. This is the propaganda of the IMF and the World Bank in their drive for the recolonization of Africa for a new colonialism. We reject it very firmly and totally.

The SAP is a disastrous failure all over Africa, and the IMF should be ashamed of its role in it. After some 15 years of massive adjustment, the IMF and the World Bank cannot boast of a single success story in Africa, except tiny Mauritius island. Their claims that Ghana is an SAP success is contested by informed Ghanaians. Thousands of Ghanaians still cannot return to make a successful living at home, and their currency, the cedis, fell from about 300 cedis to the dollar in December 1992 to around 2,000 cedis to the dollar now. The SAP has similarly debased the Nigerian naira from 1 naira to the dollar, to around 100 nairas to the dollar in the parallel (black) market.

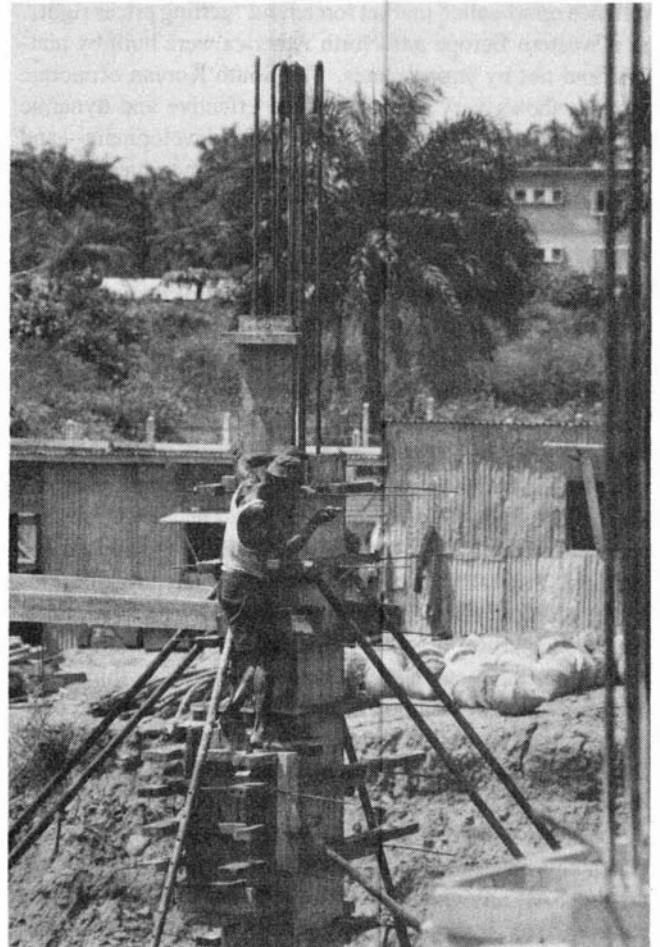
One World Bank report on the SAP in 1993-94 showed that out of some 20 countries studied, 8 of them showed decline and 11 were undecided—even by the bank's own performance criteria, which many consider inadequate. The bank's annual report on poverty in 1991 showed that poverty was getting worse in Africa, and that the continent will be the only part of the world where income per capita will be falling right up to the 21st century. The United Nations General Assembly's final review of the U.N. Program of Action for Africa's Economic Recovery and Development (Unpaerd) also underscored the failure of economic recovery in Africa. Other international bodies, such as the U.N. Development Program, Unicef, International Labor Organization, and the Economic Commission for Africa, have also raised concern over the decline in Africa.

The catastrophic effects of the SAP in African countries include the death of millions, especially children and women; a drastic fall in real income; widespread hunger, malnutrition, and stunted growth; excessive and pauperizing inflation; collapse of social services and falling enrollment at all levels

of education; huge and rising unemployment; massive destruction of national currencies arising from excessive and persistent currency devaluation; declining export earnings; sharply rising inequalities; destruction of public services from inhuman retrenchment; the deindustrialization of African countries; widespread repression needed to impose the SAP on unwilling populations; IMF-caused riots; the undermining of the state; and threatened social disintegration due to rising crime and drug-pushing, resulting from greatly weakened states. Nigeria and some other African countries have fallen from middle-income to low-income levels under the SAP, according to World Bank ranking.

A net outflow of capital

Between 1988 and 1989 alone, Africa recorded a net outflow of capital to the IMF and the World Bank of \$2.7 billion. The so-called gains of the SAP, shown with dubious growth rates of Gross Domestic Product (growth of national income), are clearly minor when compared to these serious



A construction project in Lagos, Nigeria, during the 1960s. Today, the IMF's structural adjustment programs have shut down industry and infrastructure development, driving Nigeria's economy from a middle-income level to a low-income level.

negative effects of the SAP and the crushing burden of dubious foreign debts. Only a tiny minority of Africans and their collaborators in the multinational corporations enjoy these gains; the majority of Africans only have losses and tears from the adjustment of their stomachs.

These disastrous effects of the SAP in African countries are the direct result of its wrong policies, as has been shown by the Economic Commission for Africa (ECA) and other bodies. These negative policies of the SAP include the opening up of African countries to foreign goods and services (import liberalization), at a time when the advanced countries have been shutting their doors against African exports; total withdrawal of all subsidies; drastic budget and credit cuts for all purposes; massive and persistent currency devaluation, to make African raw materials and other commodities cheap for the advanced countries and discourage Africa from competing with foreign goods; dogmatic privatization of public enterprises, whether profitable or not; severe weakening of the state, in order to promote the domination of African economies by foreign multinational corporations; and ideological reliance on so-called market forces and "getting prices right," as if western Europe and North America were built by markets and not by strong states. The South Korean economic miracle shows very clearly that the effective and dynamic role of the state is crucial for successful development—and where African states are incompetent, they need to be strengthened, not marginalized and blackmailed into irrelevance.

African nations must define their programs

It is for these reasons that IFAA maintains that the correct road to rapid recovery and genuine development for African countries is for them to design their own national program for restructuring and transformation. The African alternative to the SAP produced by the Economic Commission for Africa and adopted by the Organization for African Unity, provides the correct guide for African countries. The correct historic mandate of the IMF and the World Bank is to support, not supplant, African countries in this democratic direction.

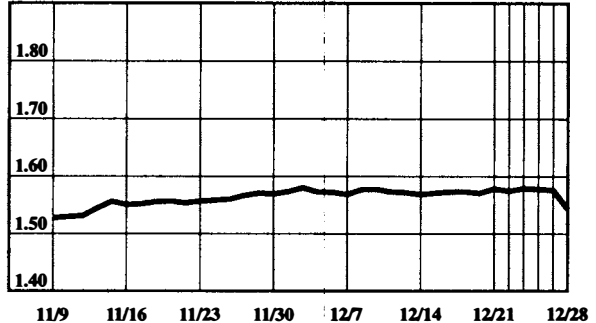
In addition, African countries should demand the immediate cancellation of all foreign debts. This is part of the reparations payment due to Africa—among other things, for 15 years of the destruction of our countries when our economies have been used as guinea pigs in the costly economic experiment called the SAP, which the IMF and World Bank imposed on Africa.

We are nobody's fools. If the IMF people deny these statements, then the IFAA challenges them to public debate on the SAP anywhere in Africa. If the IMF has nothing serious to say, it should shut up and not blackmail and threaten our countries each year when our annual budgets are being prepared. The sovereignty of our countries includes the right to design our budgets and economic policies in the best interest of our countries.

Currency Rates

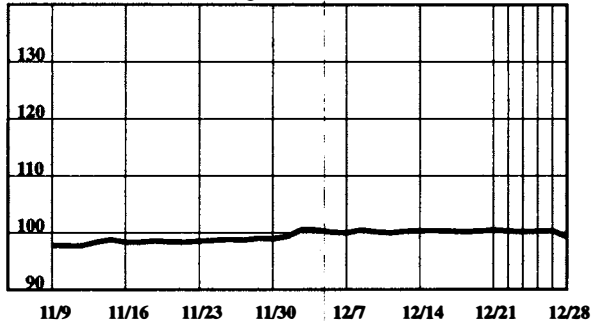
The dollar in deutschemarks

New York late afternoon fixing



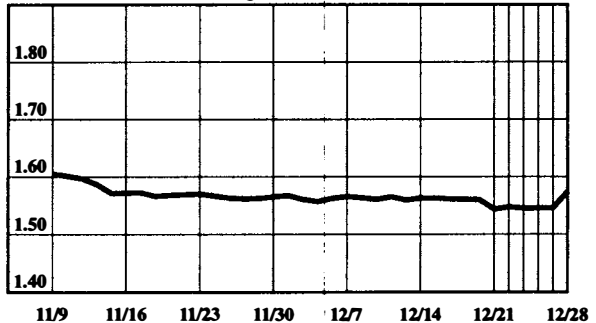
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

