LIFE OR DEBT:

THE STRANGLEHOLD OF NEOCOLONIALISM AND AFRICA'S SEARCH FOR ALTERNATIVES

Dossier nº 63
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The art in this dossier is based on still frames from the music video 'IMF' by Seun Kuti and Egypt 80 (Knitting Factory Records) featuring Dead Prez's M1, directed by Jerome Bernard and produced by Duck Factory.

Seun Kuti is a member of the band Egypt 80 and the youngest son of the late Nigerian Afrobeat pioneer and political figure Fela Kuti, whose popular album *Zombies*, released in 1976, heavily criticised the military dictatorship that was in power at the time and inspired resistance among the Nigerian people. Nearly forty years after the release of his father's album, Seun's music video 'IMF' harks back to the continued assault against the sovereignty of the African people, featuring rows of growing zombie-like International Monetary Fund (IMF) officials chasing an African man and, finally, turning him into a money-obsessed, disfigured monster identical to themselves.

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IMF
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Before the pandemic was announced by the World Health Organisation in March 2020, the poorer nations of the world already struggled with seriously high – and unpayable – levels of debt. Between 2011 and 2019, the World Bank reported, 'public debt in a sample of 65 developing countries increased by 18 percent of GDP on average – and by much more in several cases. In sub-Saharan Africa, for example, debt increased by 27 percent of GDP on average'.[1]

The debt crisis did not take place because of government spending on long-term infrastructure projects, which could eventually pay for themselves by increasing growth rates and allow these countries to exit from a permanent debt crisis. Rather, these governments borrowed money upon borrowed money to pay off older debts to wealthy bondholders as well as to pay for their current bills (such as to maintain education, health, and basic civic services). 'Among the thirty-three sub-Saharan countries in our sample', the World Bank noted, 'current spending outstripped capital investment by a ratio of nearly three to one'.[2] When the pandemic struck, countries that had adopted the World Bank-International Monetary Fund policy to grow their way out of the debt crisis floundered. Growth rates shrank, which meant that debt volumes ballooned, and so these governments decided to borrow more and adopt deeper austerity policies, which dramatically increased the debt burden on their populations.

Registering, in their own way, what is universally acknowledged as an intractable debt crisis in the poorer nations, the International Monetary Fund (IMF) warned that a serious banking crisis is likely

to emerge (while ignoring the factors driving this scenario). 'Our updated global bank stress test shows that, in a severely adverse scenario, up to 29 percent of emerging market banks would breach capital requirements', the IMF wrote in October 2022.[3] This means that the context of high debt, high inflation, and low growth rates (with lowered employment expectations) could lead to the collapse of a third of the banks in the poorer nations.

Neither the IMF nor the World Bank nor indeed any of the international financial institutions (IFIs) have any credible pathway out of this crisis. Indeed, the IMF report surrenders to reality as it tells central banks across the globe to 'avoid a de-anchoring of inflation expectations' and to ensure that 'the tightening of financial conditions needs to be calibrated carefully, to aim at avoiding disorderly market conditions that could put financial stability unduly at risk'.[4] The focus here is to keep 'the market' happy, while there is remarkably no care for the downward spiral of living conditions for the vast majority of the people on the planet. In its October 2022 *Fiscal Monitor Report*, subtitled *Helping People Bounce Back*, the IMF noted that while governments' top priorities must be 'to ensure everyone has access to affordable food and to protect low-income households from rising inflation', they must not attempt 'to limit price increases through price controls, subsidies, or tax cuts', which would 'be costly to the budget and ultimately ineffective'.[5]

In January 2023, the IMF's *World Economic Outlook* predicted a slightly better, albeit 'subpar', growth forecast but warned of continued worries of debt distress in the poorer nations, writing that 'The combination of high debt levels from the pandemic, lower growth,

and higher borrowing costs exacerbates the vulnerability of these economies, especially those with significant near-term dollar financing needs'.[6] The antidote to debt distress, according to the IMF, is 'fiscal consolidation and growth-enhancing supply-side reforms', namely more of the same old austerity-debt trap. If the governments of the poorer nations are told not to use these basic tools (which are used routinely in the richer nations), their only choice – as far as the IMF is concerned – is to borrow in order to provide even low levels of relief to the very poorest people in their countries. Effectively, the IMF has surrendered to the prevailing reality and offers the poorer nations no viable exit from a permanent debt crisis.

This dossier has been drafted with the knowledge that the permanent debt crisis besieging the poorer nations has not resulted from short-term market failures or from business cycles that will rebound, and that it is not fully a consequence of governments' mismanagement of finances or deep-rooted corruption. Rather, our assessment of the debt crisis draws from an important speech given by Burkina Faso's President Thomas Sankara (1949–1987) at the Organisation for African Unity in July 1987. 'Debt's origins come from colonialism's origins. Those who lend us money are those who colonised us', Sankara explained. 'Debt is neocolonialism', with the fiscal and monetary policies of many of the African states taken over by the 'technical assassins' of the IFIs. 'Debt is a cleverly managed reconquest of Africa aimed at subjugating its growth and development through foreign rules', he continued, with the IFIs setting policy by using the debt as an instrument to demand 'structural adjustment' of domestic finance ministries and central banks.[7]

Gro Harlem Brundtland, Norway's former prime minister and then chair of the United Nations' World Commission on Environment and Development (also known as the Brundtland Commission), came to the Organisation for African Unity meeting in Addis Ababa (Ethiopia) in 1987 to say that the entire debt of the poorer nations could not be repaid and should be forgiven. Sankara acknowledged the importance of the Brundtland Commission's assessment and then said:

> Debt cannot be repaid, first because if we don't repay, lenders will not die. That is for sure. But if we repay, we are going to die. That is also for sure. Those who led us to indebtedness gambled as if in a casino. As long as they had gains, there was no debate. But now that they suffer losses, they demand repayment. And we talk about crisis. No, Mr. President, they played, they lost. That's the rule of the game, and life goes on. We cannot repay because we don't have any means to do so. We cannot pay because we are not responsible for this debt.[8]

One alternative to the debt crisis is a debt strike, which is what Cuba's Fidel Castro began to raise in his speech at the Non-Aligned Movement meeting in New Delhi in 1983 and which was on the agenda for the Continental Dialogue on the Foreign Debt in Havana in August 1985. It is within this dynamic that Sankara spoke of the need for an 'Addis Ababa united front against debt'.

The context for such a 'united front against debt' has returned, but the political will for it now is as low as it was then. However,

the world is very different today than it was in the 1980s. Other alternatives have since presented themselves, such as those available through regional integration and through alternatives to the Western-backed IFIs (for example, financing from China and other large developing countries).[9]

This dossier opens with an introduction to the world of the IFIs – mainly the IMF – and their role in exacerbating the poverty brought on by colonialism and transforming it into a permanent debt crisis, and then moves into a deeper assessment of the contradictions of sovereign debt on the African continent. The final section carries a statement on the IMF-induced debt crisis by the Collective on African Political Economy and offers alternatives to IFI-led funding to manage the turbulence of debt.

The Fundamentalism of the IMF and the Permanent Debt Crisis

In 1919, John Maynard Keynes of the United Kingdom's Treasury Department published a book that became a sensation. In the book, entitled *The Economic Consequences of the Peace*, Keynes observed that the Great War had 'so shaken the system as to endanger the life of Europe itself'.[10] The Treaty of Versailles, which ended the war, did not grasp the underlying problems that had led to the war and only cemented the victory of some countries against others. The treaty left structural problems intact, such as the 'disordered finances', in Keynes' words, of many countries (not only Germany, which faced an enormous and unpayable reparations bill). The Wall Street Crash of 1929, the Sterling Crisis of 1931, and the Banking Panics of 1931–1933 revealed the underlying vulnerabilities of capitalism, with the 'disordered finances' being the spur towards the potential general collapse of the system. In 1936, Keynes published *The General Theory of Employment, Interest, and Money*, a manual to save capitalism by a theoretical plea for governments to use state resources to recycle profits and balance an unbalanceable system. Keynes, who dabbled in eugenics theory, did not extend his views on state intervention to protect the system in the British colonies and prevent the decline of their population's living standards.

When the United States invited its allies to Bretton Woods (New Hampshire) in July 1944 to discuss how to manage the structural crises that contributed to the Second World War, Keynes – who was

one of the main figures at this meeting – said that it would be 'the most monstrous monkey house assembled for many years', suggesting that 'twenty one countries [that] have been invited' – presenting a list of primarily colonised countries, from Guatemala and Liberia to Iraq and the Philippines – 'clearly have nothing to contribute and will merely encumber the ground'.[11] Instead, Keynes preferred that the two founder states of the Bretton Woods Conference, the United Kingdom and the United States, 'settle the charter and the main details of the new body without being subjected to the delays and confused counsels of an international conference', as he explained a few years earlier.[12] In fact, Keynes (on behalf of the United Kingdom) and Harry Dexter White (on behalf of the United States) arrived at the meeting with two plans already drafted, which they put on the table and upon which the final Articles of Agreement for the International Monetary Fund as well as the International Bank for Reconstruction and Development (or the World Bank) were built. The other participants were largely onlookers.

Despite the limited input of most of the world, which was still under colonial rule, the purpose of the IMF as laid out in the Articles of Agreement was straightforward, none of it built to extend the power of the British imperial system. The main thrust of the articles was to assist the 'expansion and balanced growth of international trade' and to 'contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy'.[13] To establish these 'primary objectives', the IMF was tasked with preventing any short-term problems from becoming long-term crises, such as by maintaining exchange rate stability

and facilitating loans to prevent balance-of-payments spirals 'without resorting to measures destructive to national or international prosperity'. When the former colonial countries won their freedom, most of them became members of the IMF based on the Articles of Agreement, and in 1961, the IMF created its Africa Department. Until the Third World Debt Crisis that began to spiral with Mexico's default in 1982, the IMF had primarily operated by providing short-term financing in a relatively modest fashion through the Compensatory Financing Facility (1963) and the Buffer Stock Financing Facility (1969).[14]

In the aftermath of Mexico's default, the IMF conducted what its managing director, Michel Camdessus, called the 'silent revolution'.[15] Against its manifest purpose, the IMF began to respond to requests for short-term bridge financing by demanding that countries radically change their domestic economic policies as a condition for approval. Through their new programmes, the Structural Adjustment Facility (1986), and then the Enhanced Structural Adjustment Facility (1987), the IMF put a singular recipe on the table: privatise the economy, including the state sector; commodify areas of human life that had up to that point been in the public domain; terminate any government deficit financing; and dissolve any barriers on foreign capital investment and trade (such as subsidies and tariffs). The IMF had experimented with these measures in Bolivia, Chile, and Peru in the 1950s with limited success before turning them into the basis for their policy not towards all countries, but specifically to be used against states in Africa, Asia, and Latin America, which struggled with an international economic system shaped by colonialism and capitalism. These were the countries that

had championed the formation of the UN Conference on Trade and Development (UNCTAD) in 1964 to advance their own proposals to exit the neocolonial world order, proposals that were passed by the UN General Assembly in 1974 as the New International Economic Order (NIEO). The new IMF policy emerged in contest against the possibility of an NIEO, since rather than allow for a better deal for raw material prices or for tariff-subsidy arrangements, it demanded the withdrawal of all these anti-colonial schemes. Even Raghuram Rajan, the IMF's own chief economist from 2003 to 2007, wrote in his book *Fault Lines* (2010) that the IMF's policies appeared as a 'new form of financial colonialism'.[16]

The IMF's 'silent revolution' intensified the crisis faced by the poorer nations, driving them into a spiral of indebtedness and poverty. The general formula for this spiral is as follows:

1. Countries go into short-term balance-of-payments debt because of their lack of capital – much of it stolen during the colonial period – and their reliance upon borrowing to conduct (often expensive) capital improvements in their countries (some of which are in the raw material extraction sector, thereby operating as a subsidy for foreign mining companies).
2. The IMF arrives and informs the finance ministries that government spending for education, healthcare, and other social development projects must be cut in order to prioritise payments to wealthy bondholders (in the London Club) and to governments – mostly the old colonial states – (in the Paris Club) who have lent them money.

3. To pay the debt servicing on these loans, the poorer nations cut their government spending, thereby impoverishing their people further, and export more of their cheapened raw materials (rather than more profitable finished products). When countries start to export more and more primary commodities, this produces a price war that leads to a steep decline in the revenues gained from the volume of exports.
4. With weakened revenues from imports, the poorer nations must continue to cut their social spending, ramp up their sales of raw materials and public assets, and borrow more money from external private and governmental sources… just to pay off the interest on their ballooning debt.
5. The imperative of 'exchange rate stability' prevents governments in the poorer nations from exercising any effective monetary policy – including implementing capital controls – while their fiscal policy is already eviscerated by balanced budget demands from the IMF, social spending cuts, and pressure from wealthy bondholders to 'reform' (i.e., surrender) their tax policy.

In 2016, senior members of the IMF's research department published an article called 'Neoliberalism: Oversold?', which argued that the 'adverse feedback loop' set in motion by austerity, followed by increased inequality and then yet more austerity, had to be broken by a less rigid, less fundamentalist approach to 'liberalisation' and neoliberalism.[17] There was even a suggestion of 'greater acceptance of [capital] controls to deal with the volatility of capital flows'. While there was a decline in the conditions that the IMF required to receive their loans over the course of the decade before this paper

was published, there is no evidence of any qualitative change in IMF policy.[18]

Guinea, for instance – a country that has at least a third of the world's bauxite – entered the IMF rollercoaster in 2011 and immediately became trapped in the debt-austerity cycle.[19] In 2014, the Guinean government of Alpha Condé wrote to the IMF that the 'tight fiscal and monetary policy' had led to a 'reduction in spending, including on domestic investment', which made it impossible for Guinea 'to respect the indicative targets for spending in priority sectors'.[20] In other words, Guinea borrowed to try and exit a crisis, but the borrowing itself led to cuts in social spending and deepened its crisis. In 2019–2020, the country experienced a cycle of protests sparked both by Condé's attempt to change the constitution as well as the worsened economic situation. A UNICEF report found that, in 2019, twenty-five very poor countries spent more on debt servicing than on education, health, and social protection combined. Sixteen of those countries are on the African continent.[21]

In the early months of the pandemic in 2020, the IMF offered to open up new windows for borrowing that they said would come without conditionalities.[22] The G20 Debt Service Suspension Initiative and other such offers to pause debt payments suggested that the poorer nations would receive assistance to prevent total economic collapse and to gain access to vaccines. However, Oxfam found that thirteen of the fifteen IMF loan programmes during the second year of the pandemic (2021) required 'new austerity measures such as taxes on food and fuel or spending cuts that could put vital public services at risk'.[23] The Commitment to Reducing Inequality Index reveals

that fourteen out of the sixteen countries in West Africa planned to cut their budgets by a total of $26.8 billion in 2021 to contain haemorrhaging national debt crises and that these policies have been encouraged by the IMF's COVID-19 loans.[24]

The evidence is clear: the IMF not only engineers austerity-driven debt crises, but its policies are designed to ensure and manage a permanent debt crisis, not to erase debt.

Africa's Sovereign Debt Crisis

In 2009, the Zambian-born economist Dambisa Moyo published the instant bestseller *Dead Aid*.[25] Moyo's main argument in the book was that there was little to show for the hundreds of billions of dollars in foreign aid that had been given to the African continent since 1970. Rather than spurring development, she said, aid had financed grand-scale corruption and civil wars, which in turn thwarted economic growth on the continent. Moyo's case against aid was not a new one. Her book's arguments were inspired by the Hungarian-born British conservative economist Peter Bauer, in whose memory Moyo dedicated her book. Bauer made a career singling out foreign aid – not colonialism or neocolonialism – as the chief architect of Africa's underdevelopment.[26]

What was new about *Dead Aid* was Moyo's prescription. In a chapter titled 'A Capital Solution', Moyo called for the substitution of aid with private market debt. That is, she called on Western countries to significantly reduce their aid to Africa and at the same time called on African governments to make up for the shortfall by borrowing from private creditors and bondholders such as hedge funds, banks, and so on. For Moyo, this was an elegant solution to the problem of corruption, which had historically bedevilled the foreign aid industrial complex. Money sourced from private debt markets was unlikely to fuel corruption in Africa because, Moyo argued, private creditors were sophisticated enough to not invest in countries likely to engage in corruption. After all, corruption acted as a

drag on economic growth, which in turn threatened the prospects of debt repayment. On the other hand, to access much-needed private credit, African governments would need to demonstrate to private creditors that they were committed to fighting corruption and to investing the proceeds in growth-enhancing activities. Moyo's policy solution was, therefore, a supposed win-win for all concerned.

Moyo's 'capital solution' provided the intellectual cover for the financialisation of capital flows to Africa through the issuance of so-called Eurobonds (i.e., the issuance of bonds in US dollars and Euros), whose meteoric rise would engulf the continent in a new debt crisis by 2020. Ghana's first issuance of a Eurobond in 2007 was a turning point for the continent. The country's debut bond of $750 million was issued to much fanfare and was highly sought after by financial investors in New York and London.[27] In a quest to satisfy investors' appetites, Ghana followed up by issuing two additional Eurobonds totalling $2 billion in 2013 and 2014. Other countries in Africa soon followed suit.[28] In 2011, Zambia obtained its first sovereign credit rating (a credit score of sorts) from the ratings agency Fitch. Shortly thereafter, the country issued two Eurobonds in quick succession in 2012 and 2014, a scenario that increased Zambia's external debt by an incredible 300% in three years.[29] Kenya likewise jumped on the bandwagon, issuing three Eurobonds between 2014 and 2019 that totalled around $5.5 billion.[30]

Eurobond issuance on the continent grew at an incredible pace in the second decade of the twenty-first century: by 2020, twenty-one African countries had issued Eurobonds (several, in many cases). According to the World Bank's *International Debt Statistics* handbook,

the stock of Eurobond debt for sub-Saharan Africa grew from about $32 billon in 2010 to $135 billon in 2020, a 322% rate of increase.[31] In other words, the stock of Eurobond debt had more than tripled in just ten years.

The rate of increase in the stock of Eurobond debt between 2010 and 2020 far outstripped other sources of foreign currency debt in Africa. For example, multilateral debt from the World Bank, IMF, African Development Bank, and other institutions increased by about 144% over the same period, a rate that is less than half that of the increase in Eurobond debt. Similarly, bilateral debt from governments in countries such as China, France, the US, and the UK to governments in Africa also increased at a rate of 145%, which was also less than half the rate of increase in Eurobond debt.[32]

This last point on bilateral debt is worth highlighting given the argument on 'debt trap diplomacy' that has become commonplace with respect to debt from China. The argument alleges that China is using debt to trap Africa in a perpetual cycle of indebtedness and servitude. However, the facts present a different picture. Though World Bank's *International Debt Statistics* handbook does not provide a country-by-country breakdown of bilateral debt to Africa that would allow us to isolate the Chinese component, it shows that by 2020 Africa's total external debt owed to bilateral creditors (i.e., countries) stood at $115 billion, compared Eurobond debt of $135 billion. Further, the figure for bilateral debt provided by the World Bank is for all bilateral creditors, implying that Eurobond debt outstripped all debt from bilateral creditors, which includes China. A careful analysis from Debt Justice shows that African debt

to China was $83 billion in 2020, a number smaller than the $135 billon owed to private bondholders.[33] Figures on Chinese loans and Africa's debt produced by researchers working at the China Africa Research Initiative (CARI) at Johns Hopkins University in the United States are often cited in support of the debt trap diplomacy argument (despite their own researchers having published articles debunking the Chinese debt trap narrative).[34] However, they are not very useful in this particular case because, according to CARI itself, its database 'does not track [debt] disbursements and repayments'.[35] In other words, CARI only reports on newspaper announcements of loan contraction but does not track to see if the contracted loan left China and, if it did, if the recipient government in Africa subsequently paid it off or paid off portions of it. Therefore, CARI figures can be misrepresented in ways that vastly exaggerate the true stock of Chinese debt to Africa.

This goes to show that the current sovereign debt crisis currently engulfing the African continent is largely the creation of private creditors via the Eurobond craze that possessed and took hold of the continent in the second decade of the twenty-first century, helped along by the intellectual justifications of Dambisa Moyo and others. Eurobonds did not fix the problem of corruption that was said to be endemic with foreign aid, as Moyo argued they would. For example, hundreds of millions of dollars of Kenya's first Eurobond issuance are said to have gone 'missing'. In Zambia, questions have been raised about where the Eurobond money went.[36] In Mozambique, loans and bonds were illegally withdrawn and misused by state-owned enterprises (known as the Tuna Bond Scandal). As these

cases illustrate, Western private bankers and creditors have facilitated this type of theft.[37]

Finally, analysing the sources of debt in Africa casts doubts on current multilateral initiatives aimed at resolving Africa's sovereign debt crisis. One example is the Debt Service Suspension Initiative (DSSI), launched by the G20 in May 2020, soon after the COVID-19 pandemic began to send shockwaves across the globe, to encourage bilateral and multilateral creditors to suspend interest payments on debt owed by poorer nations, including those in Africa, for a year. The DSSI was hardly successful, as many creditors – with the exception of a few, such as China – refused to suspend interest payments.[38] In addition, many analysts remarked that the DSSI was not fit for purpose, since it only applied to official debt (multilateral and bilateral), while the sovereign debt crisis was largely fuelled by a private bond crisis as shown above.

As the DSSI expired in June 2021 and the sovereign debt crisis got worse, the G20 launched the Common Framework for Debt Treatments, which would become the guiding mechanism for debt restructuring after the initial years of the pandemic.[39] Unfortunately, it is bedevilled by many of the same problems that afflicted the DSSI. First, the Common Framework only has mechanisms for resolving official credit. But, as the above analysis shows, a substantial portion (and by far the largest single source) of Africa's sovereign debt is owed to private bondholders and creditors. Their absence largely confines debt restructuring discussions to the theoretical sphere, with little practical value. Second, the Common Framework lays the ground for an official creditor committee, which in the case of

Zambia is co-chaired by France and China. France is seen to represent the old Paris Club of creditor countries, which together make up a sizeable portion of the official credit given to Zambia. China is a co-chair given its emergence as an important source of credit to Africa, and Zambia in particular. However, the structure and governance of Zambia's creditor committee with the two co-chairs has opened the country to geopolitical manoeuvrings and, in the process, largely paralysed the prospects for genuine debt restructuring anytime soon.

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A Permanent Solution to the Debt Crisis

The fifty-four sovereign African states are vastly different from each other, with distinct languages, histories, social and economic challenges, and possibilities. However, they are united by a political project that has been institutionalised through the African Union and its legal and organisational frameworks and by a neocolonial sovereign debt crisis.

This final section of the dossier is divided into two parts. The first is a statement made by the Collective on African Political Economy, which lies at the root of the analysis presented in this dossier. The second elaborates on the finance section of *A Plan to Save the Planet*, a document drafted by twenty-six research institutes from around the world.[40] These alternatives are provisional and require far more theoretical and practical elaboration, which is precisely the task of the Collective on African Political Economy.

The IMF Is Never the Answer: A Statement from the Collective on African Political Economy

Many countries across the Global South, particularly those in Africa, are currently in the throes of fiscal crises – largely the result of a perfect storm of global events. The COVID-19 pandemic triggered

a global economic recession, which in turn impacted national economies. The ongoing war in Ukraine has disrupted vital global supply chains for food, fertilisers, and energy, thereby increasing many countries' import bills and straining their budgets. The fiscal crisis is fundamentally a result of an unsustainable build-up of sovereign debt in the last decade, fuelled by cheap credit from Western economies and encouraged by international financial institutions, including the IMF. The COVID-19 pandemic and the war in Ukraine made what was already a tenuous situation worse.

Many poor countries are turning to the IMF as a credible source for finance in the present moment, largely egged on by claims that the IMF has reformed from its bad old ways and no longer demands crashing austerity as a conditionality.[41] Back in 2016, IMF economists published a mea culpa in which they (sort of) confessed the sins of the past and promised that they had turned over a new leaf.[42] The evidence, however, suggests anything but a reformed IMF. A study from the International Labour Organisation that carefully tracked IMF conditionality in 2020, when many countries were grappling with health and financial burdens related to the COVID-19 pandemic, found that in most of the 148 countries examined, the IMF still required austerity as a condition for granting assistance.[43]

The government of Zambia, the first country to default on its debt as a result of the pandemic, recently concluded a financing deal with the IMF with the signature condition of 'a large, front-loaded, and sustained fiscal consolidation', as the IMF put it – in other words, austerity in black and white.[44] The IMF wants the Zambian government to reduce its expenditure by billions of dollars over the next

three years, which will be most acutely felt by the poor majority.[45] The government of Sri Lanka, a country whose debt-fuelled boom came to a spectacular halt earlier this year, is also seeking IMF assistance, with early indications showing that the conditions attached to the deal will be as indefensible as the Zambian deal.[46] The Ghanaian government too is desperately seeking another IMF deal, this after the last one was celebrated as the deal that would 'restore the lustre to a rising star in Africa'.[47]

All this goes to show that the IMF cannot be the answer to the poorer nations' economic challenges. Alongside its sister institutions, the IMF has provided 'assistance' to poor countries ever since its establishment in 1944, and yet many of these countries have remained poor in spite of this. The reason is that IMF assistance has never confronted the structural factors that have continued to consign many countries to the ranks of the poor. As diagnosed many years ago by scholars such as Walter Rodney and Andre Gunder Frank, development in the North is sustained by underdevelopment in the South.[48] Seen this way, the IMF, as the archetypical Northern institution, is duty bound to maintain and entrench this status quo. How else does one explain the IMF's solution to Zambia's financial woes, for example? The IMF prescription ignores the fact that the country's foreign-owned copper mines continue to generate billions for their overseas shareholders yet pay so little in taxes in a country where the estimated annual income taxes for one mining project alone could have amounted to nearly half the 2020 national water supply and sanitary budget.[49]

A new kind of institutional apparatus that fosters cooperation, rather than competition, is required for Africa's economic liberation and that of the Third World more generally. This would mean, for example, establishing currency arrangements that bypass the US dollar, which is a strong lever of IMF conditionality and a weapon of US foreign policy. These kinds of long overdue proposals are already underway in parts of the world, such as in Latin America, where Brazil's President Luíz Inácio Lula da Silva (known as Lula) and Argentina's President Alberto Fernández have proposed the establishment of a regional currency, the sur, that could be used to settle cross-border claims and store reserves.[50] The hard work of figuring out the technical details related to the implementation of such regional currencies must begin in earnest.[51] Africa, for example, needs a continental bank that is wholly owned by the people and will serve as a genuine tool to bolster sovereign industrial policies. The highly influential African Development Bank, with its significant Western shareholding, is not fit for purpose.[52]

Furthermore, there is an urgent need to restore and reinvigorate the capacity and autonomy of the African state to deliver on its development agenda. State capacity and state autonomy depend on the ability to adequately mobilise tax revenues, an area in which the African state has continued to underperform. The tax-to-GDP ratio, a measure of resource mobilisation, has remained incredibly low in Africa largely as a result of illicit financial flows that continue to spirit away billions of dollars from the continent every year.[53] As a consequence, the adequate delivery of the kind of social services that underpin people's dignity (social security, health, education, etc.) continue to be hamstrung.[54] Further, the low tax-take in the

poorer nations forces many governments to seek the easy way out by borrowing on the international capital markets, setting into motion dangerous debt dynamics that ultimately lead governments back into the unloving arms of the IMF. Notably, IMF conditionality rarely confronts the fact that state capacity and autonomy have been eroded in Africa largely as a result of the tax dodging practices of transnational corporations.

Just as problematic is the leading role that the IMF and its allied institutions have taken in the fight to save the planet from climate change. The IMF's answer to climate change, which is influential given its inordinate role in the world, points to the private capitalist sector as the solution to the planet's problems.[55] All this is ironic given that the private capitalist sector's insatiable appetite for profits at all costs has been responsible for the climate crisis.

The Third World must re-imagine a path out of our current crisis that doesn't depend on the IMF, its allied institutions, and Western capital. The last seventy years or so have demonstrated that a reliance on these institutions only serves to trap the Third World in a perpetual state of underdevelopment. We need an emancipatory set of institutions and frameworks that will lead to the total independence of the Third World.

This is a task that the Collective on African Political Economy (CAPE) has decided to take on in a serious way. CAPE is a new grouping of Africans from different walks of life that are committed to the economic, and thus total, emancipation of the African continent and the Third World more broadly. CAPE hopes to recapture

the emancipatory scholarship and politics of a previous generation of intellectuals that emerged from the post-independence movement in the 1960s and reformulate it to respond to the needs of today's world. The lessons of that generation and the institutional infrastructure that it built have been forgotten largely as a result of IMF and World Bank-inspired structural adjustment programmes (SAPs) that began in the 1980s. The SAPs are responsible for widespread destruction, including the evisceration of progressive scholarly communities in Africa and much of the Third World. It is precisely such communities that CAPE hopes to bring to life to rebuild a present, and future, that centres the needs and aspirations of the majority.

Âurea Mouzinho
Peter Magati
Crystal Simeoni
Hibist Kassa
Brian Kamanzi
Ndongo Samba Sylla
Grieve Chelwa
Ihsaan Bassier

Constructing Financial Alternatives for a Sovereign Africa and Third World

Over the course of the past two decades, the stranglehold of Western-based bondholders and Western-controlled IFIs has weakened as other countries – mainly China – have emerged as the largest trading partners with African states and as the largest lenders to these states. Importantly, China's public and private debt forgiveness during the pandemic has put pressure on IFIs to rethink the harshness of their debt repayment-austerity governance model.

The opening provided by Chinese funding is not an opportunity merely to borrow more: it is an opportunity for African states to construct genuine, and sovereign, development projects in this climate. These projects must seize multiple opportunities to raise funds, and the fragility of IMF power must also be utilised to advance fiscal and monetary policies that are built on an agenda committed to solving the problems of the African people, not facilitating the demands of wealthy bondholders and the Western states that back them. A number of mechanisms are on the table to avoid the IMF-driven debt-austerity trap. Some of them, expanding upon *A Plan to Save the Planet*, are listed below.

Invalidate historical debts and rescue stolen assets:

- Renegotiate all odious external debts of the poorer nations. An 'odious debt' is a debt incurred by a country without the assent of its people, such as during the phase of a military dictatorship.[56]
- Seize assets held in illicit tax havens, which as of 2010 total at least $32 trillion.[57]

Build progressive tax codes:

- Build the capacity of tax departments in each country, including digital tax infrastructure.
- Implement taxes on wealth and inheritance.
- Implement higher rates of taxation on income, such as capital gains, that is made through financial speculation by all non-bank corporate entities.
- Discourage the profit-shifting activities of multinational corporations and adopt a unitary approach to tax the share of global profits generated by subsidiaries of multinational corporations.

Reform domestic banking infrastructure:

- Democratise the banking system by expanding the role and size of public banking and by implementing more regulations of and transparency for private banking.
- Enforce ceilings as a percentage of liabilities on speculative banking activity by commercial banks.

- Regulate the interest rates that banks charge for specific goods, such as housing loans.
- Implement tight regulations for pension funds so that the savings of the people are not used recklessly for financial speculation and encourage the creation of public sector pension funds.

Build alternative funding sources to the IMF's debt-austerity traps:

- Set capital controls to prevent both foreign and domestic capital flight, policies that even the IMF argues are important.[58] As highlighted earlier, capital flight is not only deleterious for local financial markets: it also robs the continent of the resources needed to drive an autonomous developmental agenda. With capital controls, governments will be able to devise effective monetary policies in an environment that would not be buffeted by shocks and unexpected fragilities. Capital controls must be implemented alongside a robust wealth tax collection system, pro-labour distribution policies, and the prevention of dollarisation.
- Attract investment from institutions that do not enforce structural adjustment conditions, such as the Belt and Road Initiative and the BRICS's New Development Bank. The absence of SAPs-like conditions on these emerging and alternative sources of capital explains their growing popularity in the South and Africa in particular.
- Take advantage of local currency central bank swap arrangements (such as those offered by the People's Bank of China).

- Adopt ceilings on the interest rates that commercial and multilateral lenders charge developing countries.

Enhance regionalism:

- Encourage the creation of regional trade and reconciliation mechanisms.

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