DOWNLOAD PDF THE IMF, THE WORLD BANK AND THE AFRICAN DEBT

Chapter 1 : IMF and World Bank Announce Debt Relief to the Republic of the Congo

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They share the same goal of raising living standards in their member countries. Their approaches to this goal are complementary, with the IMF focusing on macroeconomic issues and the World Bank concentrating on long-term economic development and poverty reduction. What are the purposes of the Bretton Woods Institutions? The goal of the conference was to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. While this goal remains central to both institutions, their work is constantly evolving in response to new economic developments and challenges. The IMF promotes international monetary cooperation and provides policy advice and capacity development support to help countries build and maintain strong economies. The IMF also makes loans and helps countries design policy programs to solve balance of payments problems when sufficient financing on affordable terms cannot be obtained to meet net international payments. IMF loans are short and medium term and funded mainly by the pool of quota contributions that its members provide. IMF staff are primarily economists with wide experience in macroeconomic and financial policies. The World Bank promotes long-term economic development and poverty reduction by providing technical and financial support to help countries reform certain sectors or implement specific projectsâ€”such as building schools and health centers, providing water and electricity, fighting disease, and protecting the environment. World Bank assistance is generally long term and is funded both by member country contributions and through bond issuance. World Bank staff are often specialists on particular issues, sectors, or techniques. Framework for cooperation The IMF and World Bank collaborate regularly and at many levels to assist member countries and work together on several initiatives. In , the terms for their cooperation were set out in a concordat to ensure effective collaboration in areas of shared responsibility. The Boards of Governors decide how to address international economic and financial issues and set priorities for the organizations. This committee was established in to advise the two institutions on critical development issues and on the financial resources required to promote economic development in low-income countries. They also issue joint statements and occasionally write joint articles, and have visited several regions and countries together. IMF and Bank staffs collaborate closely on country assistance and policy issues that are relevant for both institutions. Similarly, Bank advice on structural and sectoral reforms is considered by the IMF in its policy advice. The staffs of the two institutions also cooperate on the conditionality involved in their respective lending programs. Under the plan, Fund and Bank country teams discuss their country-level work programs, which identify macroeconomic and sectoral issues, the division of labor, and the work needed in the coming year. A review of Bank-Fund Collaboration underscored the importance of these joint country team consultations in enhancing collaboration. They continue to help low-income countries achieve their development goals without creating future debt problems. Setting the stage for the development agenda. Each institution has committed to new initiatives, within their respective remits, to support member countries in reaching their SDGs. They are also working together to better assist the joint membership, including through enhanced support of stronger tax systems in developing countries , and support of the G Compact with Africa â€”in collaboration with the African Development Bank â€”to promote private investment in Africa. The IMF and the World Bank are also working together to make financial sectors in member countries resilient and well regulated.

Chapter 2 : IMF and World Bank real culprits in Africa's debt crisis

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For the longest time Africa has been labelled the impoverished continent with unforgivingly big debt corrupt leaders and failed leadership. For our part, we have largely apportioned all the blame on neo-colonialism and forgotten to take responsibility for our own misgivings. However, the greatest failure has been the ignorance of the West to its own contribution to this poverty that had been reduced to a catch line on television. If anything, these two institutions have been at the fore-front of the systematic destruction of African economies. It is only now that their Highly Indebted Poor Countries Initiative has been seen to attempt to rectify past wrongs but the program has only impacted 36 countries in the world , and is this enough? In essence, they have caused the much publicised poverty. This is the main theme of the Washington Consensus and the hope is where governments are pushed out, private players will come in, offering competitive alternatives which could not have seen the light of day before. For example, in agriculture, the two institutions encouraged that governments scrap subsidies and lower agricultural research. The Bank further admitted the expectation was that removing the state would free the market for private actors to take over which would in turn reduce state costs, improve quality and eliminate bias. The more the IMF encourages this structural adjustment, the more it weaker and opens it up the market to Western invasion. They could better ensure their food security by relying on U. The approach was somehow different in these regions as the institutions advocated for the removal of the state from the economy and managed the process from above. However, in dealing with Africa, their strategy changed. Instead of the traditional macro-management, the institutions have been seen to go down to the smallest details of the processes the call for. A particularly worrisome example is Malawi in Then President, Bakili Muluzi accused the IMF of forcing Malawi to sell its grain reserves just before a devastating drought resulting in untold suffering in the country. The IMF is said to have instructed Malawi to sell maize from strategic reserves to enable repayment of commercial debts. The National Food Reserve Agency of Malawi ended up selling almost all of its grain and when the drought hit the country, there were no reserves to cushion the country leaving around 3 million people exposed. Why did the IMF go down to the specifics of what to do yet such brazen arrogance was never seen in Latin America or Asia? This disrespect for African governments is problematic and cannot be tolerated. Citizens elect their governments and not the IMF. It maintains the status quo in global affairs. These institutions help keep poor countries poor. When they succeed in transforming countries from their debt ridden third world statuses to better fortunes, then maybe there will be a legitimate case for their existence. It is either they are grossly incompetent to deal with their complexities or they are a part of some ploy to serve Western interests by destroying African economies. Comment below or email us.

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Chapter 3 : How the World Bank and the IMF destroy Africa

The World Bank and the IMF never forgive and because of the huge debts developing countries owe the World Bank, they (the World Bank, the International Monetary Fund or IMF, the World Trade Organization or WTO, the United States of America [a major partner of the World Bank], etc.) control almost all the affairs of those poor countries.

Experts say the organization that provides financial assistance to its members has learned from its mistakes, but it still cannot solve actual problems. The rising debt that is threatening to bankrupt several countries on the African continent has sparked the renewed interest in the organization that many had wanted no more to do with. President Joao Lourenco is hoping that in addition to emergency loans, it will also provide support for economic reforms. At the time several countries risked defaulting on debt and the IMF was called upon to extend emergency credit. It came with strict terms: In exchange, the IMF and its partner organization, the World Bank, called on the recipients to implement economic and political reforms. Angolan President Joao Lourenco right and German Chancellor Angela Merkel left Structural reforms with little result The reform packages came with the so-called " Washington consensus " prescriptions, which comprised a reduction in agricultural and industrial subsidies, tax cuts, the privatization of state entities and free trade policies. But, rather than ensuring economic upswing, the reforms exacerbated the economic problems of the recipient countries. In fact, most countries had their repayment difficulties in check in the short term, Thiele told DW. However, they subsequently failed to make it onto the "long-term growth path. In an internal paper published in journal in , the authors said that at lease some of the reforms that were imposed in the past had led to more inequality and hampered economic growth. Angola has abundant natural resources, yet is still one of the least developed countries China opened the playing field Effectively it was a learning curve for the IMF, said Thiele. Dealings with recipient countries now sees much more emphasis placed on matters such as good governance and social concerns than in the past. A possible reason for this change: Some countries can meanwhile now support themselves using regular capital markets. And the emergence of a major investor has altered the financial circumstances in Africa: It asks for business, natural resources and access to markets instead. In the s and s, the falling prices of commodities such as oil, cocoa and diamonds, coupled with rising interest on external debt, drove African countries into crisis. That would mean providing the room for African countries to develop their own agriculture and industry. Experts estimate that the country has racked up debt of 25 million dollars to China, secured through oil revenue. But, according to a report by the Financial Times, this possibility is largely exhausted: That amount of oil has already been set aside for credit repayments.

Chapter 4 : The IMF comeback in Africa | Africa | DW |

Since the s, Western nations, the IMF, World Bank, Paris Club, etc., have 'looted' Africa of hundreds of billions of dollars in bloated debt payments and through the manipulation of.

The improvement of macroeconomic and public sector management since the s is widely praised. Substantial investment in infrastructure is now among the most pressing priorities. By , 21 African countries had credit ratings issued by international agencies, more than double the number a decade earlier. Fast-growing African economies have gained access to international bond funds seeking higher-yield investments in emerging economies and portfolio diversification. Demand intensified as interest rates tumbled in developed economies after the financial crisis. Yields on some African issues are similar to those of southern European states, seemingly indicating a low risk of default. Borrowers and investors seem equally pleased with the deal. Borrowers can raise funds for infrastructure, general purposes or debt rescheduling at rates far lower than those offered by undeveloped local bond markets â€" and with longer maturity. An implicit assumption prevails that there is little danger of African countries going bust. Debt levels do not have to match those of developed economies to trigger an economic crisis. Ghana, Senegal and Zambia are among the countries that have issued sovereign bonds to pay for infrastructure development. Competition for funds is global, and funding will be needed from diverse sources. Sovereign bonds are one alternative to concessional loans from donors. Diversification of borrowing sources is evidence of sensible management of public debt. Funds can be invested in assets and institutions that will support economic growth and generate taxes to service the debt. All of these countries had â€" unusually in Africa â€" borrowed heavily from the private sector; restructuring the debt in a Eurobond made repayment more straightforward and lowered interest rates. In larger, more developed economies, a sovereign debt issue also provides a benchmark to assist the expansion of local bond markets and borrowing by domestic banks and companies on international markets. The government was keen to prove that it could successfully launch a large international bond issue and for the issue to provide a stimulus to the local debt market. But the cost of external financing looks set to increase just as economic growth slows. At the end of , yields on most African Eurobonds were at record highs. A bond prospectus may state that the proceeds will be allocated to infrastructure development or debt rescheduling, but this is not always the case â€" and any mention of a use of funds is non-binding. Fungibility â€" using funds for a different purpose than originally stated â€" may not concern investors unduly, but it should concern legislators and citizens. Currency risk is often underestimated. The cost of servicing a US dollar-denominated Eurobond may look cheaper than that of a debt issue in local markets, but if the national currency declines the cost of foreign borrowing rises. According to an IMF study, the cost to the Ghanaian Treasury of servicing an equivalent debt in local markets â€" had there been sufficient capacity â€" would have been less than that of both the and dollar-denominated bond issues. When the price of copper fell sharply between January and April , jeopardising revenue, the Zambian kwacha fell by one-third in a similar timeframe. The kwacha subsequently recovered and the copper price did not fall further. The requirement to service debt is immediate and delays in expenditure on infrastructure can be costly. Debt service and the economic rate of return on the investment are not always given adequate consideration and they assume greater importance in the case of large loans. Given the consensus outlook for rising global interest rates over the next decade, loan repayment and rollover risk are added concerns. Before negotiating debt relief in , Nigeria established a budget office and debt management office DMO. The country has a widely respected central bank. Now it helps to ensure that the level of debt is sustainable. Cowan is critical of the widespread reliance on the World Bank and IMF to carry out debt sustainability reviews since debt relief. The borrower must do the preparation. States which have worked to secure higher domestic taxation have established more sustainable revenue streams than those that relied on taxes and levies generated by the commodities boom. Although most borrowing in Africa is external, many countries raise the majority of their funding in domestic debt markets. Many lack the size, length of yield curve, liquidity or currency stability to satisfy offshore investors; access to others remains restricted or closed for foreign investors, especially in the CFA franc zone. In , Nigerian local debt was admitted to J. The

International Finance Corporation, part of the World Bank, and the AfDB have begun to issue naira-denominated bonds to improve liquidity in local capital markets. Nigeria launched an over-the-counter trading platform in to make a secondary market in local debt. Caution and public scrutiny While current debt levels in Africa are manageable, the consequences of the speed with which debt has been accumulated and the management of government borrowing and expenditure are causing concern. The role of the IMF in the region is increasing again. While its involvement can be interpreted as evidence of prudence and a constructive ongoing relationship in some countries, in others it is depicted as raising the spectre of a new phase of debt relief and even structural adjustment. The importance of developing and maintaining strong institutions to control spending, manage debt and maximise domestic revenue collection cannot be overstated. This is no easy task in countries with substantial new income from natural resources or volatile trade revenue. In the eyes of recipients, assistance is often an imposition, inflexible, oblivious to the prevailing political economy and over-reliant on the input of western advisers on short-term contracts. There is scope for considerably greater intra-African advisory co-operation and exchange of knowledge. The merits of conventional sources of borrowing have been overshadowed by the attractions of sovereign bonds. Syndicated bank loans are a commercial alternative, and concessional finance from official donors remains available, even as many African countries join the middle-income category. Greater diversity of lenders is welcome, but diversification should not be at the expense of pragmatic and transparent financial management. Funds raised by governments are public money. In keeping with their constitutional mandate, legislators need to exercise vigorous oversight and demand transparency about debt terms and spending plans. The Public Affairs and Budget Committees in the Tanzanian legislature exemplify the potential influence of parliamentary scrutiny. A few months ago the finance minister went to parliament to raise the debt ceiling. The discovery of oil and rapid economic growth spurred Ghana to raise loans that increased indebtedness to a higher level than pre-HIPC. The proceeds were not invested in infrastructure or reforms that would sustain GDP growth and generate the extra revenue to service the debt. At the same time, the anticipated oil revenue was delayed and state mismanagement of the energy sector led to acute power shortages. Import costs and volumes rose steeply, leaving Ghana with a double-digit current account deficit, a budget deficit of 9. In effect, the success of an unconditional bond issue was dependent on conditional IMF support, requiring cuts in public spending amounting to 3. Ghana entered into three-year support programmes with the IMF in , and Sub-Saharan Africa, October , pp. He is also Africa adviser at Salamanca Group.

Chapter 5 : Africa's rising debt problem - CNBC Africa

Launched in November , the Debt Management Facility (DMF) for Low-Income Countries (LICs) is a multi-donor trust fund that supports the scaling up and accelerated implementation of the World Bank Group's debt management work program in low-income countries.

Since then, the international financial community, including multilateral organizations and governments, have worked together to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. In , a comprehensive review of the Initiative allowed the Fund to provide faster, deeper, and broader debt relief and strengthened the links between debt relief, poverty reduction, and social policies. Two-step process Countries must meet certain criteria, commit to poverty reduction through policy changes, and demonstrate a good track record over time. The Fund and Bank provide interim debt relief in the initial stage and, when a country meets its commitments, full debt relief is provided. To be considered for HIPC Initiative assistance, a country must fulfill the following four conditions: Once a country has met or made sufficient progress in meeting these four criteria, the Executive Boards of the IMF and World Bank formally decide on its eligibility for debt relief, and the international community commits to reducing debt to a level that is considered sustainable. Once a country reaches its decision point, it may immediately begin receiving interim relief on its debt service falling due. In order to receive full and irrevocable reduction in debt available under the HIPC Initiative, a country must 1 Establish a further track record of good performance under programs supported by loans from the IMF and the World Bank; 2 Implement satisfactorily key reforms agreed at the decision point; and 3 Adopt and implement its PRSP for at least one year. Once a country has met these criteria, it can reach its completion point, which allows it to receive the full debt relief committed at the decision point. Countries receiving debt relief. Of the 39 countries eligible or potentially eligible for HIPC Initiative assistance, 36 are receiving full debt relief from the IMF and other creditors after reaching their completion points. Three countries, which have been identified as potentially eligible for HIPC Initiative assistance, have not yet reached their decision points. Debt relief frees up resources for social spending Debt relief is one part of a much larger effort, which also includes aid flows, to address the development needs of low-income countries and make sure that debt sustainability is maintained over time. For debt reduction to have a tangible impact on poverty, the additional money needs to be spent on programs that benefit the poor. Before the HIPC Initiative, eligible countries were, on average, spending slightly more on debt service than on health and education combined. Now, they have increased markedly their expenditures on health, education, and other social services. On average, such spending is about five times the amount of debt-service payments. For the 36 countries receiving debt relief, debt service paid has declined by about 1. Improving public debt management. Debt relief has markedly improved the debt position of postâ€”completion point countries, bringing their debt indicators down below those of other HIPCs or non-HIPCs. However, many remain vulnerable to shocks, particularly those affecting exports, as seen during the global economic crisis. To reduce their debt vulnerabilities decisively, countries need to pursue cautious borrowing policies and strengthen their public debt management. IMF debt relief complemented by other sources About 44 percent of the funding comes from the IMF and other multilateral institutions, and the remaining amount comes from bilateral creditors. Resources available in the trust are currently insufficient to finance the cost of debt relief to all countries that meet the initial conditions for debt relief and reach the decision point. The original financing plan did not include the cost of debt relief to Sudan and Somalia, as well as to other countries that entered the Initiative after Should these countries progress to the decision point, there would be an urgent need to mobilize resources. Challenges remain The pre-decision point countries face common challenges, including preserving peace and stability, and improving governance and the delivery of basic services. Addressing these challenges will require continued efforts from these countries to strengthen policies and institutions, and support from the international community. Another challenge is to ensure that eligible countries get full debt relief from all their creditors. While there has been some increase in the delivery over the past few years, the rate of delivery remains disappointingly low. Some commercial creditors have initiated litigations against

HIPCs, raising significant legal challenges to burden sharing among all creditors, including the multilateral institutions. The number of litigation cases against HIPCs has been declining in recent years but flattened over the past few years. The IMF will continue to address issues related to participation in the HIPC Initiative during its regular consultations and other missions to creditor countries.

Chapter 6 : World: IMF And World Bank Cancel 18 Countriesâ€™ Debt

This January, the IMF and World Bank downgraded Ethiopia to high risk of external debt distress because one liquidity indicatorâ€"the ratio of PPG external debt service to exportsâ€"went above its.

Chapter 7 : How IMF and World Bankâ€™s Policies are Destroying African Economies | The African Expor

"China offers African countries the opportunity to escape, from time to time, the grip of the IMF and the World Bank because China is not demanding conditionalities.".

Chapter 8 : Debt and the World Bank

The IMF and World Bank have also worked together to reduce the external debt burdens of the most heavily indebted poor countries under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

Chapter 9 : Africa: Debt-Distressed African Countries Again Look to IMF - www.nxgvision.com

These internationally coordinated relief programmes, managed by the World Bank, IMF and the African Development Bank, were designed to find a sustainable solution to Africa's debt burden.