D o Africans need new financial institutions for mobilising foreign credit, for internal monetary management, and for industrial development? To answer in the affirmative with confidence requires detailed consideration of what’s wrong with the present system.

In November 2007, the finance ministers of the world’s 20 largest economies will meet near Cape Town (as the “G20”), and host – Trevor Manuel – promises to interrogate the role of the most powerful multilateral financial agencies. As he observed after the 2006 G20 event in Melbourne, “There is still a case to be made for the International Monetary Fund (IMF) and World Bank to exist.” But there is also a case for the two not to exist, which should be considered seriously in the wake of recent leadership scandals, financial unsustainability and ongoing devotion to the “Washington Consensus.”

Currently, the IMF and World Bank offer several services that African finance ministers find hard to resist: the “seal of approval” for commercial lending; coordination of donors in-country, and a heavy-hand at regular Paris Club meetings where aid and credit are decided; conditionalities on structural adjustment loans and debt relief that remain unchanged (in spite of Poverty Reduction Strategy Paper rhetoric); enormous power in setting monetary policy (including deployment of personnel to run central banks and finance ministries); balance of payments support in emergency cases; and major loans for large dams, roads and transport, mineral extraction, energy projects and the like.

These are dubious benefits for Africa. For example, the lubrication of financial flows includes pressure from the IMF and Bank to liberalise exchange controls. As a result, capital flight has increased, ranging from liquid flows to transfer pricing. Economists James Boyce and Léonce Ndikumana argue that a core group of sub-Saharan African countries whose foreign debt was US$178 billion lost more than US$285 billion (including imputed interest earnings) because of elite repatriation of assets. By 2004, an estimated 37 percent of African citizen’s investments (cash and assets) were located offshore.

In this context, perhaps it is encouraging to report that the “Bretton Woods Institutions” (the IMF and the World Bank were created at Bretton Woods, New Hampshire, in 1944), have run into multiple problems, which offer far-sighted Africans new space to propose sensible and practical alternatives.

“A wonderful individual, perfectly capable”
African elites do not realise their potential, and their subservience to global financial power was unveiled, humiliatingly, in World Bank President Paul Wolfowitz’s rise and fall.
Wolfowitz is a war criminal by any reasonable definition, with several hundred thousand dead civilians to his credit as Iraq War architect. But as his career was finally crashing in April this year, Liberian finance minister, Antoinette Sayeh sang his praises: “We think that he has done a lot to bring Africa in general . . . into the limelight and has certainly championed our cause over the last two years of his leadership, and we look forward to it continuing.”

Even the most confident and respected African finance minister, Manuel, had welcomed Wolfowitz to the job in April 2005 as “a wonderful individual, perfectly capable.”

According to Kiama Kaara of the Kenya Debt Relief Network, “There’s a total disconnect between the aspirations of the African people and their leadership. The elites have no muscle. Their persistent “yes-men” acclaim of Wolfowitz and his ilk, at the same time as they repress their citizens, shows how leaders suck up to power and expect the same.”

Kaara approves of Frantz Fanon’s description of these African elites: “In its beginnings, the national bourgeoisie of the colonial country identifies itself with the decadence of the bourgeoisie of the West. We need not think that it is jumping ahead; it is in fact beginning at the end.”

Fawning over Wolfowitz continued until his sorry demise in mid-2007, tripped up in a corruption case involving a pay raise and redeployment of his partner, Shaha Riza, to the US State Department. From early on, Wolfowitz’s nepotistic behavior was infectious. Like a cancer, it quickly spread to all parts of the institution, lowering the “integrity bar” of good governance and transparency. Wolfowitz adopted patronage, lobbying, rewards and favoritism, further eroding the Bank’s integrity systems.

For example, Wolfowitz’s aides, Robin Cleveland, Kevin Kellems and Suzanne Rich Folsom were high-profile Republicans from the military-industrial complex and the Bush regime. Cleveland had been entangled in a Boeing/Pentagon scandal resulting in Air Force Secretary Jim Roche losing his job, and in nepotism charges, while a White House Office of Management and Budget official.

Cleveland and Kellems were accused of receiving “excessive pay and open-ended contracts” by Bank staff who filed a complaint to the Department of Institutional Integrity’s whistleblower hotline, and the Bank Staff Association complained that standard hiring procedures were ignored for the Kellems and Folsom appointments.

In a last-ditch defense, Wolfowitz used his proclaimed commitment to Africa as bait in the high-stakes game of international diplomacy. But what really transpired under his watch?

“There’s a total disconnect between the aspirations of the African people and their leadership. The elites have no muscle. Their persistent “yes-men” acclaim of Wolfowitz and his ilk, at the same time as they repress their citizens, shows how leaders suck up to power and expect the same.”

Corporate corruption uncovered

A few examples are telling. The highest-profile corruption case in Africa, the Lesotho Highlands Water project, has experienced bribery, massive mismanagement, ecological devastation, the murder of construction workers, and the displacement of indigenous peoples.

The Bank was tardy in following up on Lesotho’s own prosecution of a “dirty dozen” construction firms which bribed a dam official (who was subsequently jailed). Only through US Senate pressure did the Bank finally debar a couple of the companies, and under Wolfowitz there was little further progress in investigating corporations fingered by the Maseru government.

At the other end of the continent, the Bank’s African anti-corruption flagship, the Chad-Cameroon oil pipeline, received initial fanfare, thanks to a social development commitment. But it was soon mired in controversies over revenue sharing, royalty agreements and President Edriss Déby’s rerouting of oil revenues from the society to the military.

While multinational corporations drawing oil from Chad receive record windfalls in the current petroleum price boom, (in part thanks to preferential access to World Bank capital and guarantees), communities in which they conduct business are perpetually mired in poverty, local conflict, corruption and environmental degradation. Wolfowitz’s own close links to big oil and the arms industry should have been a red flag for Africa.

According to Transparency International, Chad is tied with Bangladesh as the most corrupt country in the world.
Hence Bank co-financing of the US$4.8 billion pipeline was targeted by community, human rights and environmental groups in a long-running international campaign on grounds it would simply empower the Chad regime without supporting health, education and rural development, or providing for future generations.

Proving his critics correct, Déby amended a 1999 petroleum revenue management law in December 2005. This triggered Wolfowitz to withhold new funds, and halt disbursement already underway of $124 million in International Development Association monies.

A local group, the Chadian Association for the Promotion and Defense of Human Rights, endorsed the sanctions because “new money would mainly be used for military purposes and increasing repression of the Chadian people. But we regret that the Bank did not listen to the warnings of civil society organisations earlier.” A London-based watchdog group, the Bretton Woods Project, reported that “poverty, public health, human rights abuses and environmental problems continue to increase as the Exxon-Mobil-led consortium running the project expands drilling activities in both existing and new oilfields.” While the security situation deteriorated in Chad throughout 2006, Exxon recorded record profits for the second year in a row.

The Bank’s International Advisory Group monitoring the project’s implementation expressed concern “that the oil consortium is taking land from poor subsistence farmers without ensuring … compensation payments” adequate to replace lost livelihoods. Local and military authorities “extort money from villagers when they receive cash compensation from the oil companies” and the local human rights organisations defending peoples’ rights are often threatened with death. Soon, however, Wolfowitz reversed his anti-corruption stance and backed down.

Similar problems arose in Ethiopia and Kenya in late 2005. In the former, Africa’s second most populous country – and the world’s seventh-poorest – donors suspended $375 million in budget support following severe state repression, including a massacre of opposition political protesters and mass arrests.

Although this threatened to wipe out a third of the country’s budget, and although president Meles Zenawi – an ex-Marxist ex-guerrilla – was a favourite of Washington (playing proxy in the 2007 occupation of Somalia), the Bank temporarily complied. In May 2006, the Bank’s Interim Country Assistance Strategy (“the plan”) made the following threat:

“The plan comes at a critical time for Ethiopia: contested elections in 2005 were followed by public protests, mass arrests, and an increasingly polarized climate that created continuing risks for the country’s development agenda. The World Bank and other donors suspended direct budget support once the political impasse set in, but agreed to press for improved governance, including greater civic participation, while protecting critical services in health, education, agriculture and access to safe water. The interim strategy, which covers the next fourteen months, carries clear expectations for performance at the country level. The Bank would assess Ethiopia’s progress on strengthening governance, and, if there are measurable improvements, would prepare a full three-year strategy envisioning scaled-up levels of assistance. However, if governance conditions deteriorate, the Bank would reduce aid over time.”

There were no improvements, and hundreds of journalists, academics and other citizens were still jailed in July 2006 when Wolfowitz declared Ethiopia ready for borrowing again at an Addis Ababa press conference:

“I think political harmony is something that you can sense when it’s there, and you can clearly tell when it’s not there. It depends on compromise by both sides. My impression is that at least in the last few months, there have been compromises made by both the Government and the opposition, and I would encourage people to continue to do that. It’s perhaps

Masood Ahmed, Director, External Relations, IMF.
easy as an outsider to say, but it feels to me as though the differences that separate the various political factions in this country really are quite small compared to the stakes involved in providing for economic development for the people of Ethiopia.”

In early 2007, Zenawi played proxy to the US Pentagon by invading and overthrowing fundamentalist Islamic rulers in Mogadishu (which had already been pounded by January 2007 US bombing runs), and coincidentally the trickle of Bank credits that had flowed to Addis in 2006 turned into vast floods.

Likewise in Kenya, a corruption scandal debilitated Mwai Kibaki’s government. By January 2006, Wolfowitz again suspended financing, in this case US$265 million, over half of which had been approved by the Bank’s Board a few days earlier.

The World Bank’s motive here was the need to save face, given that the main Kenyan corruption investigator, John Githongo, had fled to Oxford. Githongo’s report accused key ministers, including finance, of establishing fraudulent contracts misappropriating hundreds of millions of dollars in public funds. Worse, even though Githongo had informed Kibaki, no action was taken.

As a result, former British Ambassador, Edward Clay, accused Wolfowitz of “blind and offensive blundering” for initially providing the loan to Nairobi, which was a solid ally of the UK and US against Islam.

The retraction of Bank funds earmarked for Kenya was temporary, as loans resumed in April 2006, resulting in US$400 million in financing through June 2007. But it reflected the embarrassment of the Bank’s collaboration in corruption, just as Wolfowitz was shaking out the Bank staff of officials implicated in various other scandals.

By early 2006, another scandal appeared to overwhelm Wolfowitz. The Bank’s Multilateral Investment Guarantee Agency had made a US$13.3 million political risk insurance investment in an Australian mining house operating in the Democratic Republic of the Congo’s Katanga province, just before an October 2004 massacre.

The Dikulushi Copper-Silver Mining Project, run by Anvil Mining, maintained support in spite of the DRC armed forces’ murder of 100 people during a rebellion by the Mayi-Mayi militia in Kilwa.

The Australian Broadcasting Corporation reported that Dikulushi trucks moved troops into the massacre site and then moved corpses out. Although company headquarters denied knowledge of Anvil’s role in the massacre, critics in the DRC and watchdog agencies assumed that a subsequent Bank investigation would reveal corporate connivance.

Fox in charge of the chicken coop?

These examples of the corrupt interface between multinational capital, the World Bank and African elites are the best cases of anti-corruption rhetoric imposed from on high, and they are not impressive.

According to Kaara, “The idea that the World Bank can develop a governance agenda is ridiculous. This was the Bank’s attempt to redefine itself given that it lost legitimacy on its main mandate, lending for economic development.”

That loss of legitimacy could have been reversed in the late 1990s when Joseph Stiglitz introduced the Post-Washington Consensus. Instead, Wolfowitz’s predecessor James Wolfensohn fired Stiglitz at the behest of US finance minister, Lawrence Summers.

Then in 2001, came the shift under George W. Bush to neo-conservatism and, for Africa, “good governance.” Kaara takes up the story: “The governance agenda is tied up with the war on terror and austerity, a ‘with us or against us’ militarisation of the region. But Wolfowitz’s demise reflects how rotten to the core the entire system is. The replacement, Robert Zoellick, will probably continue the same agenda, but it won’t be as easy.”

One reason is that the possibilities for reforming the World Bank and IMF are slipping away. The last opportunity for African elites to make a stand may be at the G20 finance ministers meetings. Can South Africa’s springtime climate melt US and European resistance to reform?

President Thabo Mbeki explained the strategy at a March 2004 conference dedicated to increasing Africa’s “voice” in the Bretton Woods Institutions: “Although we agree that there are already processes towards reforming these multilateral institutions, many of us are understand-
ably impatient with the fact that these have largely been at protracted discussion levels.”

The impatience must have intensified, yet Mbeki’s proclaimed “urgent need for radical reform” in 2004 was not taken seriously by himself, Manuel or anyone else. Sub-Saharan Africa has only two executive director seats on the 24-member Board of Governors of the IMF and World Bank, while eight rich countries have one seat each. The US enjoys veto power, and has used it to punish its political enemies, a voting arrangement even criticised by Manuel on occasion.

However, the string of rhetorical pronouncements gets longer, with nothing to show for it. In Washington on 15 April 2000, Manuel – then Chair (largely symbolic) of the IMF/Bank Board of Governors – told SA Broadcasting Corporation that the US state’s 17.8 percent shareholding in the Bretton Woods Institutions gives the US Treasury veto power over the major multilateral financial agencies, a situation which “cannot be correct.”

At the UN’s Financing for Development Conference in Monterrey, Mexico on 19 March 2002, Manuel – by then Chair of the IMF/Bank Development Committee (the second major policy-making body) – remarked: “Reform of international financial governance is critical to [ensure] that developing countries benefit from globalisation through participation.” Just over a year later, Manuel chaired a United Nations Economic Commission for Africa meeting in Addis Ababa, where he complained about an IMF proposal to split the continent in half for internal organisational purposes: “Will it be along colonial lines, or into north and south? We don’t know. What we do know is that Europe is not being divided, nor is America.”

At the September 2003 IMF/Bank annual meeting in Dubai (when asked why no progress was made on Bank/IMF democratisation), Manuel answered, “I don’t think that you can ripen this tomato by squeezing it.” The reluctance to squeeze was again evident in March 2004, when Manuel wrote a sparing two-page letter to fellow Development Committee members, arguing that reforms on “voting rights” within the IMF and Bank were “likely to be postponed for some time”, so in the meantime, the committee should address “those situations where countries’ quotas/capital shares were egregiously out of line with their economic strength.” That led to the interim empowerment of wealthier emerging market countries (China, Mexico and Korea) in September 2006, as pressure rose to cut Africa’s voting share to compensate.

By the end of Manuel’s term as Bretton Woods Development Committee Chair, he had offered a “narrow, technocratic” governance strategy – as the Financial Times interpreted – which would add merely one additional representative from the Third World to the board. As for the highly controversial question of who would run the World Bank and IMF, there was no progress, just worsening global apartheid.

“Europeans Only” and “Americans Only”
There was, in early 2004, a revolt – even by some leading IMF/Bank executive directors – against the apartheid-style “Europeans Only” sign on the door to the IMF managing director’s office, which was blatantly obvious when Horst Koehler resigned to become president of Germany. The finance minister of Spain under the outgoing conservative regime, Rodrigo Rato, got the job (thanks to support from British Chancellor of the Exchequer) – now Prime Minister – Gordon Brown. Rato’s austerity-oriented role in Spain (according to University of Barcelona professor Vincente Navarro), should have generated a massive protest from Africa and the rest of the Third World: “Rato is of the ultra-right…. He dramatically reduced public social expenditures as a way of eliminating the public deficit of the Spanish government, and was the person responsible for developing the most austere social budget of all the governments of the European Community.”

Ironically, notwithstanding four years of lobbying by Manuel, Mbeki and other Third World politicians for Bretton Woods reform, the succession of IMF leadership was less amenable to Africa in 2004 than in 2000. In the earlier struggle over the job of managing director, Africa’s finance ministers adopted what Time magazine described as a “clever” strategy: nominating Stanley Fischer, the Zambian-born, South African-raised acting managing director of the IMF, to become director. But Fischer’s “fatal flaw”, according to Time, was his US citizenship, so Koehler got the job instead, in view of the unwritten rule that divides such spoils between the US and Europe. In 2004, there was no such clever attempt, and Africa’s finance ministers expressed hope, instead, for merely a few more advisors to Rato and a few more resources for the two African executive directors. Rather than condemning this evidence of what Mbeki terms “global apartheid” – namely, worsening global governance inequality, with the US dominating the Bretton Woods Institutions, and a club rule in which a European runs the IMF and a US citizen runs the Bank – Manuel downplayed these problems.

It is true that the 2007 IMF selection process was not as formally rigid, with a few embarrassed Europeans hurriedly pulling down that apartheid-sounding nameplate on the Managing Director’s office door. But at press time, it looked inevitable that Dominique Strauss-Kahn would get
the nod, the third Frenchman in the last two decades to hold the IMF post, because the US and Europe collectively hold 53 percent of voting shares and Washington immediately supported the European prerogative.

At the World Bank, mid-2007 also witnessed mild curiosity about Robert Zoellick, who was Bush’s replacement for Wolfowitz after the sex/money scandal. Zoellick was part of a group of 18 neo-conservatives – including Wolfowitz and Donald Rumsfeld – who on 26 January 1998, wrote to then president Bill Clinton, asking him:

“to enunciate a new strategy that would secure the interests of the US and our friends and allies around the world. That strategy should aim, above all, at the removal of Saddam Hussein’s regime from power… American policy cannot continue to be crippled by a misguided insistence on unanimity in the UN Security Council.”

Not just a neo-conservative maniac, Zoellick was also overzealous in his promotion of trade liberalisation while serving as US Trade Representative. In 2003, for example, Zoellick filed an ultimately unsuccessful lawsuit against the European Union (EU), claiming US$400 million in damages, in an effort to open markets for genetically modified crops: “The EU’s persistent resistance to abiding by its WTO obligations has perpetuated a trade barrier unwarranted by the European Community’s own scientific analysis, which impedes the global use of a technology that could be of great benefit to farmers and consumers around the world.”

Among Zoellick’s ambitions during the Cancun and Doha trade negotiations were four “Singapore issues” that had been placed on hold since the 1996 WTO summit: equal treatment of foreign investors, to prevent laws that favour local ownership; more open competition and antitrust policies so that foreign companies can penetrate local markets more easily; more transparency in government purchasing to open up procurement to international trade; and trade facilitation through customs simplification. Fortunately, (largely because of African resistance at Cancun), Zoellick didn’t make progress. He resorted to arm-twisting in bilateral deals, achieving notoriety for tough negotiating that left US capital empowered and Third World people more deeply impoverished.

In the face of men like Zoellick – welcomed by Trevor Manuel – it appears that South Africa and Africa will idly sit by as financial flows buffet the continent. At the G20 meeting in Cape Town, instead of breaking the chains of global apartheid, it is likely that Manuel will be content with polishing them, by promoting very slow and minimalist reforms, including in the extractive industries.

When finance meets resource extraction

One of Africa’s central problems is the resource curse. Can financial reform help redirect revenues from corruption to development? The Lesotho, Chad and DRC cases reviewed above are illustrative. On the matter of the World Bank’s internal minerals and energy sector reforms, the South African government again deserves attention as a fox looking after a chicken coop.

A Bank-sponsored, multi-stakeholder “Extractive Industries Review” chaired by former environment minister Emil Salim of Indonesia argued in December 2003 that public funds should not be used to facilitate private profits in the terribly destructive minerals and energy sector, and hence the Bank should phase out oil and coal lending by 2008. Bank staff vigorously opposed the recommendations. The then South African minister of minerals and energy (now deputy president), Phumzile Mlambo-Ngcuka, gave the staff her support in February 2004, advocating that the Bank ignore the “green lobbyists.” Six months later, the institution’s board rejected the main Commission’s recommendations.

According to Samuel Nguiffo of Friends of the Earth Cameroon, “The World Bank’s response is a deep insult for those affected by its projects.” Bank ambivalence about reform of this sort suited Johannesburg mining magnates across Africa. A striking example occurred in mid-2002, when officials from Pretoria, Kinshasa and the IMF arranged what the South African cabinet described as “a bridge loan to the Democratic Republic of the Congo of Special Drawing Rights (SDR) US$75 million (about R760 million). This will help clear the DRC’s overdue obligations with the IMF and allow that country to draw resources under the IMF Poverty Reduction and Growth Facility.” What this represented was a shocking display of financial power, with the earlier generation of IMF loans to the dictator Mobuto Sese Seko now codified by South Africa, which (under apartheid), maintained a strong alliance with the then Zaire. Moreover, IMF staff would be allowed back into Kinshasa with their own new loans, and with neo-liberal conditionalties (disguised by “poverty reduction” rhetoric), again applied to the old victims of Mobuto’s fierce rule.

In the same statement, the South African Cabinet recorded its payment to the World Bank of R83 million for replenishment of its African loan fund, to “benefit our private sector, which would be eligible to bid for contracts financed from these resources.” A few months later, the UN Security Council accused a dozen South African companies – including the huge former parastatal Iscor – of illegally “looting” the DRC during late 1990s turmoil which left an estimated three million people dead, a prob-
lem that went unpunished by Pretoria. In January 2004, Mbeki’s state visit to Kinshasa generated a US$10 billion trade/investment package and the chance for South African firms to participate in US$4 billion worth of World Bank tenders. Instead of promoting the cancellation of African debt, Pretoria’s strategy has been to accommodate past financial support for odious regimes, ranging from Mobotu to Botha.

An alternative approach was the logic proposed by UN secretary general Kofi Annan’s economic adviser Jeffrey Sachs. He told heads of state at a July 2004 African Union meeting in Addis Ababa, “African countries should refuse to repay their foreign debts” and instead use the funds to invest in health and education (at the time, the IMF was controversially prohibiting expenditure of health funds donated to Africa, especially for HIV and AIDS mitigation, on the grounds that civil service pay would rise to above 7 percent of GDP.) In contrast, through its New Partnership for Africa’s Development (NEPAD), Pretoria firmly maintained that Africa’s foreign debt should be repaid, and that countries should adhere to the World Bank and IMF programmes. Even Joseph Stiglitz, former World Bank chief economist, admits reform efforts at the IMF have proven fruitless: “Is the institution so resistant to learning to change, to becoming a more democratic institution, that maybe it is time to think about creating some new institutions that really reflect today’s reality, today’s greater sense of democracy.” Persuasion by the likes of Sachs and Stiglitz has not worked; it is only with pressure from below that change will come.

From below, better ideas

Given persistent elite failure, African civil society organisations (CSOs) face increasing challenges and opportunities. Ongoing critiques of policy and practices by international banks and corporations should continue, but there appear to be new continental and national spaces for advocacy. Some, like the African Peer Review Mechanism (APRM), already have credibility problems. Activists are campaigning in several areas: anti-corruption, transparency and monitoring corporations and financial institutions, as well as on specific grievances.

Anti-corruption has emerged as a linchpin issue for some CSOs. High-profile corruption cases such as the Lesotho Highlands Water Project were catalysed not only from a courageous state and effective externally-sourced prosecution, but also from sustained activism by affected communities, women, youth, human rights lawyers and supportive NGOs. The vast array of protocols like the AU and SADC Anti-Corruption protocol should be domesticated in each African country, with serious implementation strategies. Transparency is emerging as a key discourse, applicable to both the public and private sectors. Publish What You Pay campaigns have generated high-profile media and advocacy awareness about financial transparency in the extractive industries. By calling for companies to reveal tax and royalty payments to governments, the campaigns highlight revenue windfalls that escape Africa. The goal is to generate prudent use of revenues, and in the process to strengthen civil society and media oversight for the public purse.

Massive (projected) infrastructure investment flows are anticipated into extractive enclaves in Africa from the World Bank, European Investment Bank, African Development Bank and others, as well as an upsurge of foreign direct investments, especially as Chinese firms enter the markets. African economic justice networks are developing skills in monitoring complex mining laws, royalty formulae, labour rights, and health and safety impacts.

Northern NGOs such as the Bank Information Centre, CorpWatch, International Rivers Network, Global Witness and Survival International, for example, are necessary – and very welcome – for building African capacity. A big challenge is to ensure that a new generation of watchdogs emerges from growing social movements across the continent.

What do leading civil society watchdogs say about “fixing” versus “nixing” the World Bank and IMF? According to Walden Bello, director of Focus on the Global South in Bangkok, “it would be better to abolish an institution that has made a big business out of ‘ending poverty’ than to expect extraordinarily well-paid technocrats ‘to do the impossible – designing anti-poverty programs for folks from another planet.’” Local, national and regional institutions would be ‘better equipped to attack the causes of poverty.’” Cape Town’s Anglican Archbishop Njongonkulu Ndungane, agrees: “[If] we
must release ourselves from debt peonage – by demanding the repudiation and cancellation of debt – we will campaign to that end. And if the World Bank and IMF continue to stand in the way of social progress, movements like Jubilee South Africa will have no regrets about calling for their abolition.”

By the early 2000s, three universal reasons emerged for nixing not fixing the Bretton Woods twins:
- virtually all core value reforms in key areas of eco-socio-economic advocacy have been explored, and the profound limitations unveiled;
- restoring national state sovereignty, mainly through lifting IMF/Bank pressure, is of greater urgency than there is time to convince tens of thousands of Washington economists to reverse the policy advice defining their worldview since graduate school; and
- the hard-currency component of IMF and Bank lending should not be required once appropriate conditions are achieved.

This latter argument deserves justification, for if local, national and regional development finance is appropriate, then the technical (not political, moral, environmental) reasons to have an IMF and Bank evaporate. Such was the viewpoint of the African National Congress in its 1994 Reconstruction and Development Programme (RDP), in a sentence won only after much left-wing lobbying: “The RDP must use foreign debt financing only for those elements of the programme that can potentially increase our capacity for earning foreign exchange” (The ANC broke more than one such promise, but the principle here merits careful reflection.)

The motivations for rejecting hard-currency loans for “development” are the fear of the rising cost of repayment on foreign debt, once the currency declines, and the record of hard-currency utilisation in most African economies. Foreign currency inflows via new Bank or IMF loans typically do not finance basic needs projects (with their low import-intensity) but instead are used to repay illegitimate foreign debt, import luxury goods for the rich, and replace local workers with inappropriate job-killing, dependency-inducing, capital-intensive technology from abroad. In sum, why take a US dollar-denominated loan for – for an example – building and staffing a small rural school that has virtually no foreign input costs? If most basic-needs development can be drawn from local resources, and if the hard currency needed to import petroleum or other vital inputs can be readily supplied by export credit agencies (competing against each other, in contrast to centralised financial power and coordination in Washington), the basic rationales for the World Bank fall away.

To be sure, financing local development by issuing local securities – or even “printing money” (contemporary Zimbabwe being the most extreme case in Africa’s history) – certainly adds a risk of generating inflation, but that risk is usually smaller than the problems of repaying hard-currency loans for the same projects, given the need for greater export orientation and the rising cost of repayment once a local currency depreciates against hard currencies. And instead of relying upon the IMF to maintain a positive balance of payments when fickle international financial inflows dry up or run away frightened, Third World countries that climb out (in future) from under the heel of the IMF and Bank could realistically impose exchange controls and tax unnecessary imports. They would also have more freedom to default on illegitimate debt.

Indeed, these sorts of demands have been made by civil society to African state elites at various times:
- Under the slogan “Don’t Owe, Won’t Pay”, the obvious policy implication of over-indebtedness is systemic Third World default, a policy successfully carried out in earlier periods en masse, but also hinted at by Argentina’s contemporary example.
- As for uneven private sector capital flows in Africa, there are also well-tested strategies – such as prescribed assets – that can force the domestic reinvestment of pension and insurance funds as well as other large institutional investment reserves.
- For controlling capital flight, it will be crucial to address offshore tax havens through national-scale regulation and even prohibition of financial transfers from these sites, as part of a more general reestablishment of exchange controls to limit currency convertibility, and through revitalised state financial regulation.

To illustrate the capacity for civil society activism, at a Cape Town meeting of Jubilee South Africa members from Angola, Cameroon, Cote d’Ivoire, the DRC, Kenya, Mozambique, South Africa, Swaziland, Zambia, Tanzania and Zimbabwe, and partners from Brazil, Argentina and the Philippines working on a comprehensive Illegitimate Debt Audit demanded:
- full unconditional cancellation of Africa’s total debt;
- reparations for damage caused by debt devastation;
- immediate halt to the Highly Indebted Poor Country initiative and Poverty Reduction Strategy Papers and the disguised structural adjustment programme (through NEPAD) and any other agreements that do
not address the fundamental interests of the impoverished majority and the building of a sustainable and sovereign Africa; and

- a comprehensive audit to determine the full extent and real nature of Africa’s illegitimate debt, the total payments made to date and the amount owed to Africa.

Civil society’s most powerful tactic against international finance is based upon the same strategy that helped defeat apartheid: financial sanctions. The idea to defund the World Bank, for example, was introduced in 2000 and became known as the World Bank Bonds Boycott. Catalysed by Jubilee South Africa, Brazil’s Movement of Landless Workers, and numerous other Third World activist groups, Bonds Boycott activists pose this simple question that harked back to anti-apartheid disinvestment campaigning: is it ethical for socially-conscious people to invest in the Bank by buying its bonds, responsible for eighty percent of the institution’s resources, hence drawing out dividends which represent the fruits of enormous suffering?

Within a few years, the world’s largest pension fund, TIAA-CREF, had sold its bonds under activist pressure, and an impressive array of investment funds committed never to buy another Bank bond again. Other organisations that have endorsed the boycott included major religious orders (the Conference of Major Superiors of Men, Pax Christi USA, the Unitarian Universalist General Assembly, and dozens of others); the most important social responsibility funds (Calvert Group, Global Greengrants Fund, Ben and Jerry’s Foundation, and Trillion Assets Management); the University of New Mexico Endowment Fund; US cities (including San Francisco, Milwaukee, Boulder and Cambridge); and major trade union pension/investment funds (e.g., Teamsters, Postal Workers, Service Employees Int’l, American Federation of Government Employees, Longshoremen, Communication Workers of America, United Electrical Workers).

In these and many other ways, civil society activists are contributing to resistance against financial power. Their simultaneous, overlapping and interlinking efforts are bringing together some of the most advanced mass movements across the world. How far they go in part depends upon how far their allies in the rich countries recognise the merits of their analysis, strategy and tactics – and offer the solidarity that African and other Third World activists can repay many times over, once the financial boot is lifted from their countries’ necks and they gain the space to win their lasting and emancipatory objectives.

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