AFRICA'S FAUSTIAN BARGAIN WITH THE INTERNATIONAL MONETARY FUND

Dossier nº 88
Tricontinental: Institute for Social Research
May 2025

The artwork in this dossier illustrates the Faustian bargain that all African countries have to make, which comes at a cost to their financial, industrial, agricultural, and political sovereignty. The images are created by members of Tricontinental's art department.

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On 20 June 1960, Senegal won its independence from France. Two years later, on 31 August 1962, Senegal became a member of the International Monetary Fund (IMF). Almost two decades after independence, in 1979, Senegal entered into an arrangement to gain credit in exchange for more IMF control over Senegal's economy. From 1979, Senegal's many governments have sought IMF assistance over twenty times over the forty-six years since then. The IMF arrangements have had different names: Extended Fund Facility, Extended Credit Facility, Standby Arrangements, Structural Adjustment Facility Commitment, Enhanced Structural Adjustment Facility, Concessional Facility Arrangement, Poverty Reduction and Growth Facility, Exogenous Shock Facility, Rapid Credit Facility, Rapid Financing Instrument, and Standby Credit Facility. But their essence is the same: in exchange for the IMF's help, including accessing funds from the private and public credit markets, the government of Senegal has had diminished sovereignty over its fiscal policy (Senegal's power over its monetary policy has already been lessened by its use of the CFA franc).[1]

It was a Faustian bargain that all African countries made at some point in their history. Countries that had no established exchequers, poorly funded central banks, barely any control over their raw materials, and very low levels of industrialisation faced an uphill task after independence to build the integrity of their national economies and regional trade networks. They remained integrated in a neocolonial structure, which IMF interventions reinforced. They were discouraged from diverting their resources to build up human capacity or the industrial base of their economies.

At no point did the IMF interventions for Senegal, for instance, produce growth of a robust kind; an IMF study from 1996, after almost two decades of the same adjustment policies, noted, 'While the policies pursued under these programs have contributed to a reduction in macroeconomic imbalances, economic growth has remained erratic and subdued, and savings and investment ratios have been relatively low'.[2] In other words, there had been no development. Where there was growth, these studies acknowledge, it was largely sporadic and due to the rise of commodity prices. This commodity price-driven growth was not converted into net fixed capital since it was frequently used to pay off exorbitant debt payments, and to finance social welfare to prevent the large-scale collapse of society.

In an important 2002 report, the IMF acknowledged the problems of what it called 'prolonged use' of IMF resources.[3] The report features two Asian countries (the Philippines and Pakistan) and one African country (Senegal). In the chapter on Senegal, IMF researchers wrote that the policy from 1979 to 2002 had been marked by 'an incentive to "overpromise" on the pace of restoration of sustainability that stemmed from internal guidelines requiring that there be significant progress toward external viability by the end of three-year arrangements'.[4] Furthermore, the overoptimism was blamed on 'the heavy weight given to export-based indicators', which meant that IMF staff reports 'tended to downplay the extent of Senegal's debt problems'. The report concluded that Senegal could not export its way out of the crisis. Yet, despite this startling admission it did not inform subsequent IMF policy – certainly not in the Poverty Reduction and Growth Facility that ran from 2003 to 2006 in Senegal.

This dossier looks at the IMF's long history with the fifty-four countries on the African continent, all of whom are IMF members. Here, we build on two previous dossiers on the general contours of Washington Consensus policy: *Life or Debt: The Stranglehold of Neocolonialism and Africa's Search for Alternatives* (dossier no. 63, April 2023) and *How Neoliberalism Has Wielded 'Corruption' To Privatise Life in Africa* (dossier no. 82, November 2024). It also builds on our Inkani Books volume *Can Africans Do Economics?* (2024), edited by Grieve Chelwa.

In this dossier, we will turn our attention to the structural adjustment policies *predating* the first major bankruptcy in the Third World Debt Crisis (Mexico, 1982), and therefore, not in response to the financial chaos created by the rise of US interest rates after October 1979. The dossier draws on two case studies, from Kenya and Zambia, to illustrate our overall analysis, and the prolonged use of the same policies to stifle genuine development for Africans. While this dossier is largely critical of the IMF, our overall work from Tricontinental: Institute for Social Research is to build a theory of development that can produce genuine development. This theory is being built on the actual conditions that the African working class and peasantry require to drive forward their own dreams of emancipation, which are not the dreams of the IMF staff missions dispatched to our part of the world.

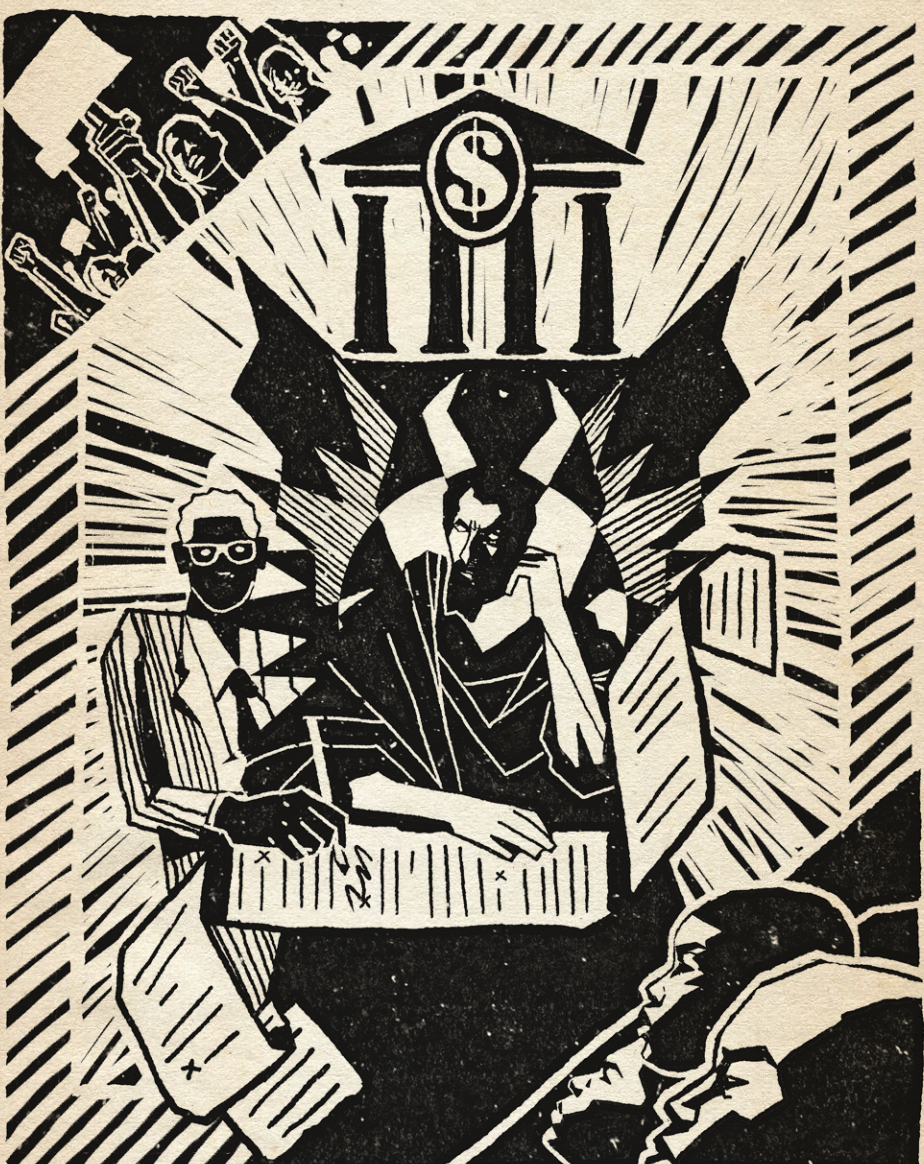
A Nightmare that Returns Every Night

From its formation in 1944, the IMF mainly focused on the provision of short-term finance to prevent countries, particularly in war-torn Europe beginning their reconstruction, from collapsing under the weight of balance-of-payments crises. This was illustrated by the IMF's first loan, $25 million to France in 1947, which was intended to prevent a catastrophic devaluation of the *franc*. It was only after 1952 that the IMF began to consider longer-term financing, particularly in the Third World, but made this finance conditional on certain important changes in their policy orientation. For instance, through the newly developed Stand-By Arrangement (SBA), the IMF would provide short-term and longer-term funding to a Third World country if it would reduce its budget deficits ('fiscal consolidation'), control inflation ('monetary policy adjustments'), and conduct important structural reforms, such as privatising state functions and creating market conditions that favoured the private sector ('enhance competitiveness'). The IMF grant to Chile in 1955 for $12.5 million was the first to be structured through the SBA and to demand conditions. Chile's main revenue earner was copper exports, which were in high demand in those years due to rebuilding after World War II. Chile had little problem paying off this first SBA, which set an IMF precedent to demand payment and reject the strategy of debt forgiveness.[5]

The conditions imposed for taking IMF loans produced an almost immediate backlash from populations unwilling to accept austerity conditions for themselves to pay off badly structured loans. Anti-IMF protests took place in Greece (1953) and Argentina (1956), where governments put their relationship with Western creditors and the IMF ahead of their own people. It is important to absorb the politics of this moment: while the IMF set up a policy framework around conditions to enforce the modernisation of the Third World, it accepted fairer rules for Western allies such as the Federal Republic of Germany. It was detailed in the February 1953 *Agreement on German External Debts* that Germany was to reconcile its debts in its national currency, and it was forbidden from using more than 5% of its export revenues to service its debt. They also benefitted from a preferential interest rate capped at a maximum of 5%.[6] It was clear by the late 1950s that the IMF policy logic was to ensure that newly independent countries, largely in the Global South, remained within a neocolonial economic structure. They could not try to enforce their sovereignty, and only those with fealty to the Western security apparatus would be given any leeway regarding the rules.

The IMF did not have an active role on the African continent until the decolonisation process fully set in. In 1962, the first SBA for an African country was a loan to Egypt. A string of SBAs followed, going mostly to North African states (Morocco, 1963; Tunisia, 1964; Algeria, 1966) and to the newly free states of Ghana (1966) and Kenya (1967). Ghana's Kwame Nkrumah refused to engage with the IMF, understanding that it would interfere with national sovereignty; it was only after the *coup d'état* against Nkrumah that the new military government went to the IMF. Jomo Kenyatta, meanwhile, went to the IMF only because Kenya had emerged from colonialism through a bloody and destructive war that wrecked its economy. Immense fluctuations in the prices of tea and coffee, the country's main exports, exacerbated a difficult situation. None of these states approached the IMF enthusiastically. They knew its problems from the first. In his landmark 1965 book *Neocolonialism: The Last Stage of Imperialism*, Nkrumah described multilateral aid through international organisations such as the IMF as a neocolonialist trap. 'These agencies have the habit', Nkrumah wrote, 'of forcing would-be borrowers to submit to various offensive conditions, such as supplying information about their economies, submitting their policy and plans to review by the World Bank, and accepting agency supervision of their use of loans'.[7]

Due to the lack of credible alternatives, in some cases African countries have also sought long-term aid for large-scale projects from the World Bank and the IMF. Over the 1952–2023 period, almost half of the commitments the IMF made were to African countries, largely due to the lack of continental alternatives.[8] By 2023, the continent's total external debt was estimated by the African Development Bank to be $1.152 trillion, with annual debt service payments of $163 billion (up from $61 billion in 2010).[9] The African Export-Import Bank's *State of Play of Debt Burden in Africa 2024* pointed to several key factors: already high debt levels, rising particularly fast from private creditors, and the cost of borrowing attached to external debt growing 'markedly'.[10] Compounding the situation, low domestic saving rates (mostly due to rising austerity and inflation) and a lack of control over raw material extraction and export have left many African countries in a serious monetary spiral. Each year, therefore, when the IMF study team arrives in any of the fifty-four capitals across the continent, the nightmare of IMF arrogance begins anew and the noose of conditions, austerity, low savings, more borrowing, and greater debt whips populations into despair.



Africa's Institutions

To prevent the 'neocolonial trap', Nkrumah and others insisted upon the need to create robust African institutions both to generate political unity and to build economic integration across the rich African continent. The Organisation for African Unity (OAU) set the process in motion in 1963, followed by the Monrovia Declaration (1979), the Lagos Plan of Action (1980), the Abuja Treaty (1991), the Sirte Declaration (1999), and the African Union's Agenda 2063 (2013). Central to this process was the recognition of the need for regional cooperation (through the building of Regional Economic Communities or RECs), a continental free trade area, and the creation of a system of monetary unification (including perhaps a continental currency). For monetary unity, African countries agreed to build an African Central Bank, an African Investment Bank (AIB), a Pan-African Stock Exchange, and an African Monetary Fund, with 2016 and 2018 being the target establishment dates for the latter three. None of these institutions have seen the light of day.[11]

Given the grip of colonial powers on the African continent, monetary policy was not devolved to the colonies until the last decades of colonial rule. In some cases, as with former French colonies, this foreign grip persisted after independence. Very few African states developed central banks (the first was in South Africa – a country subject to colonialism of a special type – in 1921). In 1931, Emperor Haile Selassie closed the old, private Bank of Abyssinia and established a modern Bank of Ethiopia, which could have become an important initiative in central banking on the continent, but it was shut down after the Italian invasion in 1935. Following Ghana's independence in 1957, the new government in Accra set up the Bank of Ghana, but its sovereignty was constrained by the IMF in 1966 (after the coup that removed Nkrumah). Given the paucity of funds on the continent due to colonial plunder, the early central banks became institutions to attract finance rather than nodes for either long-term monetary planning or for any direct social goal (such as to advocate for full employment). The experience of independent central banking has, therefore, not been significant enough and has partially led to a lack of confidence in creating an African Central Bank or African Investment Bank (AIB). It is important to record that the AIB was envisaged to be in Tripoli, Libya, with initial funds coming from the oil sales of a Libyan sovereign wealth fund. The overthrow of the government of Muammar al-Gaddafi in 2011 has suspended that conversation.[12]

Of the three institutions, the African Monetary Fund has held the most promise. In a key study from 1985 by the UN Economic Commission for Africa (UNECA), the authors wrote that because there is 'no unified monetary system in Africa, individual central banks find it difficult to respond effectively to the vagaries of the international monetary situation'.[13] Because Africa's central banks 'hardly consult each other on monetary policy', the report continued, and there is an absence of any other mechanism for consultation, 'the continent needs a regional institution'. The authors of the study went on to indicate six problems:

1. The diminishing power of domestic monetary policy to cope with the current economic crisis.

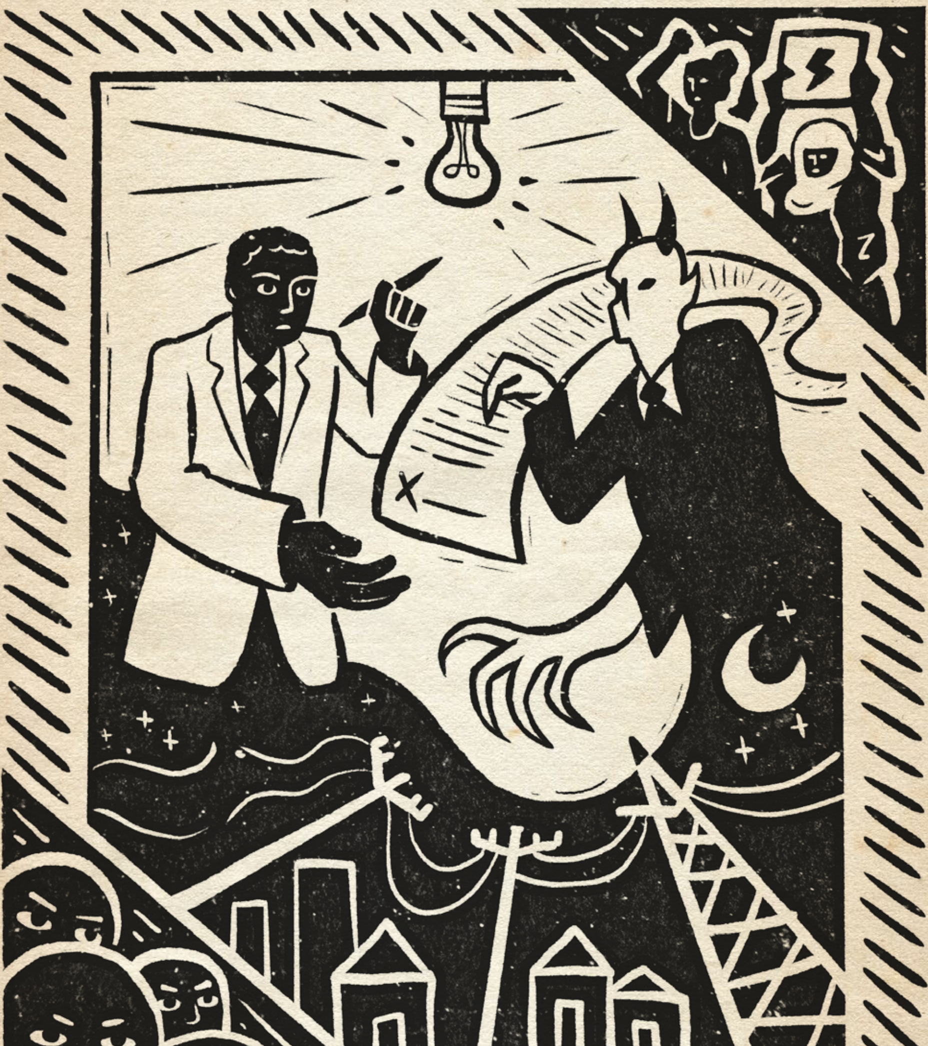
2. The growing influence of external factors on such policies.
3. The drastic decline in Africa's export earning capacity and the consequent depletion of countries' foreign exchange reserves.
4. Mounting balance-of-payments deficits and the resulting slowing or stopping of development growth.
5. Increasing interest rates and other charges on external borrowing.
6. Growing external debt, which has cumulatively created a vicious circle out of which many African economies have been unable to emerge.

Unless there are major changes, the report notes, 'it is estimated that Africa's economic situation will be worse at the end of this century than it is now'.[14] This is a clearsighted message. Forty years later, an analogous statement about the 21st century could be made.

African Continental Free Trade Area

One of the most serious impediments to the creation of these continental arrangements is the low level of intra-African trade, itself caused by low manufacturing and processing capacity in most countries.[15] Low levels of integration are caused by the high export levels of unprocessed and manufactured raw materials to other continents and the consequent import of goods from outside Africa. Africa's share of global manufacturing fell from 1.9% in 1980 to 1.5% in 2010) and it is declining (in sub-Saharan Africa, manufacturing's share of GDP fell from 13% in 2000 to 10% in 2017).[16] The situation is so dire that the OAU (now the African Union, or AU) proclaimed in July 1989 that 20 November would be celebrated as Africa Industrialisation Day (which was then adopted by the United Nations).[17] In 2012, the AU member states began to negotiate an African Continental Free Trade Area (AfCFTA), which was then agreed upon in 2018. There is immense enthusiasm for the treaty because its territorial area includes over 1.3 billion people with a combined GDP of $3.4 trillion.[18] However, South Africa and Nigeria – Africa's first and fourth largest economies – threaten the viability of the AfCFTA because they are putting their national interests ahead of continental interests.

The AfCFTA has an enormous task ahead. Currently, intra-African trade only accounts for 15% of total trade in the region.[19] Some of this has to do with the colonial shape of the continent's infrastructure, which was first understood to be an obstacle in the initial two decades of independence. In most African countries, roads and railways had been designed to carry goods from mines and fields to ports and to link provincial centres with colonial capitals. Little other infrastructure existed. Reconstructing transportation networks remains expensive, so a range of continental initiatives, such as Trans-African Highways Bureau (1971); Sub-Saharan Africa Transport Policy Programme (1987); Programme for Infrastructure Development in Africa (2012); and the African Integrated High Speed Railway Network (2013), have not been able to advance. The most credible estimate suggests that African countries will need to raise $130 billion to $170 billion per year to begin dealing with the infrastructure gap.[20] Despite the potential benefits of this investment, private investment is simply unavailable, and public investment has been squeezed dry. African countries have begun to rely upon various global initiatives, such as China's Belt and Road Initiative (2013), the European Union's Global Gateway (2021), and the G-7 countries' Partnership for Global Infrastructure and Investment (2022).



Case Studies: Kenya and Zambia

Kenya

On 18 June 2024, mass youth-led protests broke out across Kenya, culminating in the storming of the Kenyan Parliament seven days later. The Finance Bill of 2024, a piece of legislation that proposed a slew of tax measures that would grant concessions to the wealthy and multinational corporations at the expense of Kenya's poor, was being contested.[21] The bill sought to raise government revenues by levying additional taxes on food (such as eggs, potatoes, bread, and vegetable oil), public transportation, sanitary towels, and mobile money transactions – the kinds of goods and services vital to the welfare of Kenya's working class.[22] Although the bill was ostensibly sold as being the brainchild of Kenya's National Treasury, it was effectively the result of a financing arrangement that the Kenyan government had entered into with the IMF in April 2021. Many of the young protestors on the streets were aware of this fact and, therefore, in some circles, the protests were known as 'anti-IMF' demonstrations. On 27 June 2024, two days after the protesters stormed parliament, President William Ruto announced the withdrawal of the bill along with the dismissal of his entire cabinet, including Finance Minister Njuguna Ndung'u. President Ruto's actions were unprecedented in Kenyan history.

Kenya's historic anti-IMF protests flew in the face of many, including the IMF, which had been arguing for some time that it had reformed from its insistence on the anti-poor austerity that had been a defining feature of its interventions in the 1980s and 1990s. For example, in 2016, the IMF published a remarkable essay titled 'Neoliberalism: Oversold?', presenting a partial critique of the defining tenets of neoliberalism. The authors wrote:

> There is much to cheer in the neoliberal agenda… However, there are aspects of the neoliberal agenda that have not delivered as expected. Our assessment of the agenda is confined to the effects of two policies: removing restrictions on the movement of capital across a country's borders (so-called capital account liberalisation); and fiscal consolidation, sometimes called 'austerity', which is shorthand for policies to reduce fiscal deficits and debt levels. An assessment of these specific policies (rather than the broad neoliberal agenda) reaches three disquieting conclusions:
>
> - The benefits in terms of increased growth seem fairly difficult to establish when looking at a broad group of countries.
>
> - The costs in terms of increased inequality are prominent. Such costs epitomise the trade-off between the growth and equity effects of some aspects of the neoliberal agenda.

- Increased inequality in turn hurts the level and sustainability of growth. Even if growth is the sole or main purpose of the neoliberal agenda, advocates of that agenda still need to pay attention to the distributional effects.[23]

The IMF concluded: 'Policymakers, and institutions like the IMF that advise them, must be guided not by faith, but by evidence of what has worked'.[24]

As one would expect, this publication caused a stir in the finance and economics world. The economist Rick Rowden argued that the IMF had dropped 'a political bombshell' and that their critique of neoliberalism was akin to 'the Pope declaring that there is no God'.[25] Mark Weisbrot, the co-director of the Centre for Economic Policy and Research (CEPR), jokingly said it was as if Donald Trump had written an op-ed with the title 'Insulting Your Opponents: Oversold?'.[26] More importantly, some came to see the IMF's *mea culpa* as signalling a hopeful change in how the fund would conduct its affairs going forward. These hopes were urged on by comments from Kristalina Georgieva, the IMF's managing director since 2019, who remarkably warned against 'the suffocating force of austerity'.[27]

In this section, we closely study two relatively recent forays of the IMF into Africa to determine whether the fund has truly reformed in ways that would support widely held aspirations for sovereignty. Specifically, we study the financial terms of two major programmes agreed with Kenya (in April 2021) and Zambia (in September 2022).

The IMF and Kenya

At the beginning of the last decade, Kenya's economy was heralded as one of Africa's rising stars by *The Economist*.[28] Encouraged by such positive press and IMF advice to diversify the sources of its credit, the country went on a borrowing binge that saw its external debt stock rise by over 300%, from $7 billion in 2010 to $34 billion in 2020.[29] The World Bank's International Debt Statistics shows that debt service payments grew from $90 million in 2010 to $1.2 billion from in 2020.[30] With such an unsustainable debt profile, the Kenyan economy was predictably sent into an economic tailspin with the arrival of the COVID-19 pandemic in early 2020.

On 19 March 2021, Kenya's Minister of Finance Ukur Yatani and Central Bank Governor Patrick Njoroge jointly wrote a letter addressed to the IMF's Managing Director Kristalina Georgieva in which they pleaded for immediate assistance to weather mounting debt service costs, a declining economy, and the global pandemic. Their letter explicitly stated: 'we wish to request a [three-year financing] arrangement under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) [totalling] USD2.3 billion'.[31]

Yatani and Njoroge went on to argue that the loan, if granted, would fill Kenya's 'fiscal and external financing gaps' and restore the country to economic health in record time. Georgieva promptly presented the letter to the IMF's executive board for consideration along with a detailed report on the state of the Kenyan economy that had been prepared by IMF economists. Two weeks later, on 2 April 2021, Georgieva announced in Washington that they had favourably considered Kenya's request and granted the country the full amount that had been requested.

However, lost in all the celebrations was the fact that the IMF had structured the loan so that Kenya would not receive the $2.3 billion in one fell swoop but would do so in instalments over a three-year period.[32] Executive board approval meant that a sum of $307 million was immediately made available to the country, but the balance of some $2 billion would only be released after Kenya satisfied the IMF's conditions.[33]

What were these conditions? First, the lynchpin of the programme would be fiscal consolidation achieved through tax increases and spending cuts. On the spending side, the IMF wanted to see a drastic reduction in Kenya's primary fiscal balance from a deficit of 5% of GDP in 2021 to a surplus of 0.2% of GDP by 2024, virtually wiping out billions of dollars in government expenditure over a very narrow window of only three years. On the tax side, the IMF wanted Kenya to increase its tax-to-GDP ratio, a measure of the efficiency of tax collection, from 12.9% of GDP in 2021 to 15.6% by 2024.[34] Generally, increases in tax collection efficiency are desirable as they can afford the state the necessary resources to invest in social sectors.

In this case, however, the majority of the increases in tax efficiency would have to be borne by increases in taxes, such as on wages, VAT, mobile financial services, and so on, which disproportionately affect the working class. Taxes levied on Kenya's private sector and on multinational corporations were left virtually unchanged.

The second part of the programme required so-called structural and governance reforms. On the structural reforms side, the IMF argued that subsidies to Kenya's state-owned enterprises (SOEs) were adding an unnecessary burden to the country's finances. Accordingly, the fund wanted to see reduced government support to the following SOEs: Kenya Railways, Kenya Airways, Kenya Ports Authority, Kenya Airports Authority, Kenya Power, Kenya Electricity Generating Company, and Kenya Ports Authority. Also earmarked for spending cuts were Kenya's three largest public universities. The IMF also wanted the government to strengthen its anti-corruption framework, having identified corruption as a driver of Kenya's fiscal problems.[35]

The final part of the programme addressed monetary arrangements. The IMF required the Central Bank of Kenya to move from accommodative monetary policy (lower interest rates) to tighter monetary policy (higher interest rates) over the medium term. These conditions were to be strictly monitored via quarterly assessments by the IMF. Failure to deliver on some or all of them risked jeopardising the programme and the suspension of further disbursements. This point is important given the verbal sleight of hand. The programme was billed as the *Kenyan* authorities' programme. Why did it require such close monitoring, and why was it tied to financial disbursements if it was wholly designed and owned by the Kenyan government?

As voluminous literature has established, the IMF's conditions were anti-growth, anti-poor, and, importantly, anti-development. Unsurprisingly, even though the ECF/EFF was meant to run until April 2024 (three years), the Kenyan authorities requested an extension, additional funds, and a new loan facility under the Resilience and Sustainability Facility (RSF).[36] The RSF came with another round of conditions that were similar to the previous arrangements. In other words, even though austerity had not worked under the ECF and EFF, the Kenyan government bizarrely asked for more austerity in the hope that the additional dose would somehow work.

Zambia

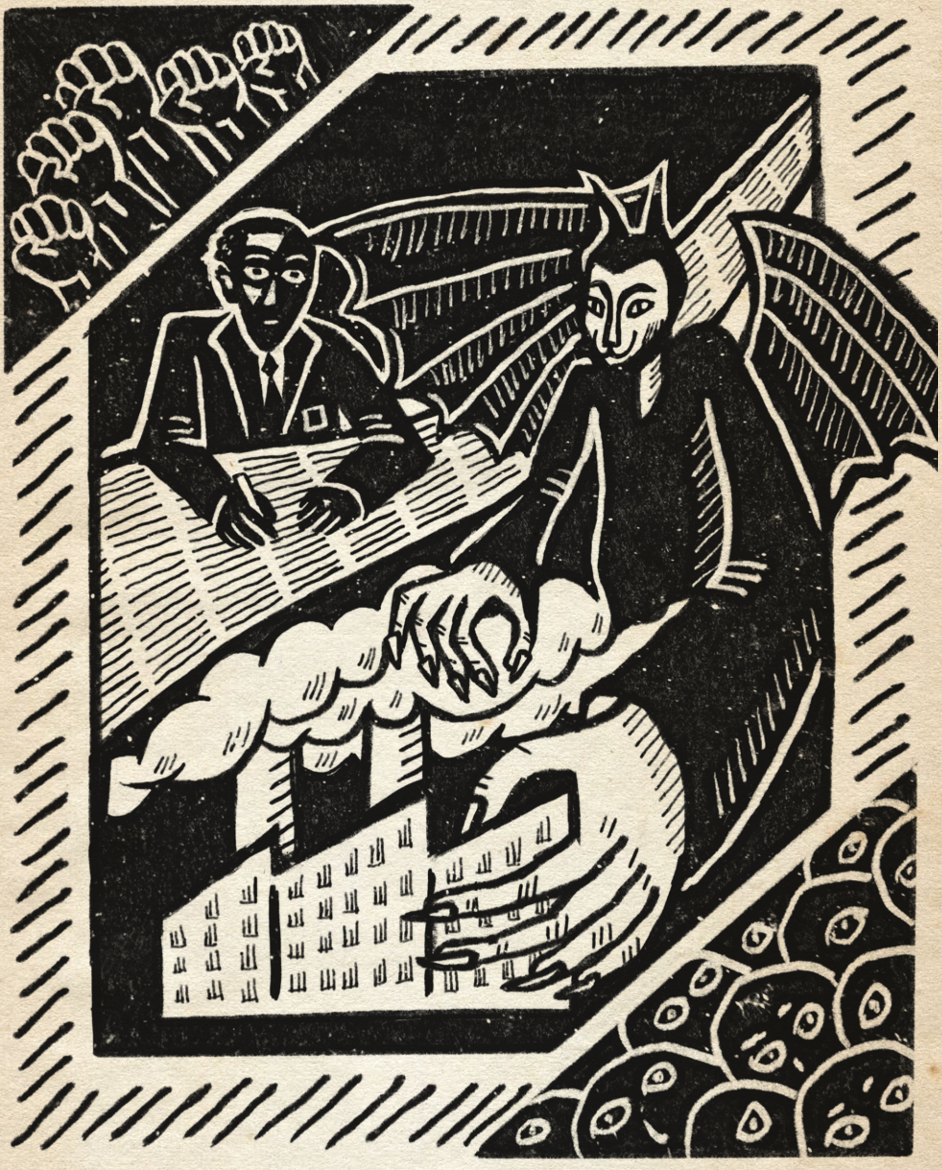
Zambia was one of the countries that was seen as being on the verge of take-off at the beginning of the second decade of the twenty-first century. The forecast for the price of copper (the country's mainstay) was hopeful owing to the increased demand for the commodity coming from a growing China. In 2011, Zambia obtained its first Fitch sovereign credit rating, giving it the license to borrow on international capital markets. Zambia's external debt increased by an incredible 1,100% from $1 billion in 2011 to $12 billion at the end of 2019.[37] Debt service payments ballooned from $67 million in 2011 to $1 billion in 2019, consuming 16% of the national budget from just 2% in 2011.[38] Given the similarity of Zambia's debt trajectory to that of Kenya, it was not surprising that when the

COVID-19 shock arrived, Zambia's economy, much like Kenya's, plummeted. In November 2020, a couple of months after the onset of the pandemic, Zambia ceased interest payments on its external debt and became the first country in the COVID-19 era to enter into debt default.

Like Kenya, Zambia looked to the IMF for assistance. Two years into the default, on 8 August 2022, Zambia's Minister of Finance Situmbeko Musokwatane and Central Bank Governor Denny Kalyalya wrote an urgent letter addressed to IMF Managing Director Kristalina Georgieva:

> the Zambian Government requests the IMF's support [under] this policy programme… The request is for financial assistance through a [three-year] arrangement under the Extended Credit Facility (ECF), covering the period 2022 to 2025, in an amount of [$1.2 billion] … This financial support and the catalytic impact of the Fund programme would help us address our pressing balance of payments needs (totalling $11 billion over 2022–25) and support our reform agenda. We intend to use half of the IMF financing as budget support and the other half to rebuild buffers by boosting the country's international reserve position.[39]

As in Kenya's case, the request was approved. Two weeks later, on 31 August, the IMF's executive board immediately gave the Zambian government access to $185 million, with the remainder of about $1.1 billion to be disbursed over three years and tied, like the Kenyan case, to conditions.



In deriving Zambia's conditions, the IMF saw the objectives of the new ECF as follows:

> The proposed ECF-supported programme aims to restore macroeconomic stability and foster higher, more resilient, and more inclusive growth… and is tailored to addressing Zambia's most pressing macroeconomic challenges, namely (i) restoring sustainability through fiscal adjustment and debt restructuring; (ii) creating fiscal space for social spending to cushion the burden of adjustment; and (iii) strengthening governance and reducing corruption vulnerabilities, including by improving public financial management. The programme will seek to ensure that monetary and exchange rate policies support the restoration of macroeconomic stability, international reserves return to adequate levels, and the financial sector remains stable.[40]

Zambia's programme, like Kenya's, had three objectives: fiscal austerity, structural and governance reforms, and, finally, monetary reforms. In terms of austerity, Zambia's ECF was much more aggressive than Kenya's, requiring 'a large, front-loaded, and sustained fiscal consolidation' between 2022 and 2025.[41] Specifically, the IMF wanted to see the fiscal deficit reduced from 6% of GDP at the beginning of 2022 to a fiscal surplus of 3.2% of GDP in 2025.[42]

This drastic fiscal consolidation had two sides: expenditure reductions and tax increases. On the expenditure side, the IMF wanted the Zambian government to reduce public expenditure in the billions of dollars from 2022 to 2025. They demanded an immediate stop to new capital expenditure (on public goods such as roads and power stations) and a reduction or elimination of expenditure favourable to the poor and working class. In the latter category, the IMF wanted the government to abolish fuel and electricity subsidies, although this would lead to cost-of-living increases.[43] Crucially, the IMF singled out the highly successful Farm Input Support Programme (FISP), which had been introduced in 2002 and had greatly aided Zambia's food sovereignty by providing input support to millions of peasant farmers. The IMF required the government to reduce its funding to the FISP from 3% of GDP at the beginning of 2022 to 1% of GDP by 2025. A recent analysis has argued that this decision is largely responsible for the hunger crisis that enveloped Zambia in 2024 and continues to the present day.[44]

Revenue increases accounted for the other side of the fiscal consolidation. Here, as in the Kenyan case, the burden of the increases was to be borne largely by the poor through higher taxes on wages and through a reduction in the number of goods that had been zero-rated for purposes of value-added tax (VAT). As is well known, VAT is a regressive tax in the sense that it impacts the poor more than the rich, and governments will often charge a VAT rate of zero on some necessities to protect the poor. In this case, the IMF recommended the removal of such exemptions. Taxes on corporate profits and especially profits realised from Zambia's giant multinational mining houses were hardly changed and in some cases were reduced.

A second part of the IMF's conditions focused on structural and governance reforms. As in Kenya, the IMF targeted Zambia's SOEs. Key among these was the Zambia Electricity Supply Corporation

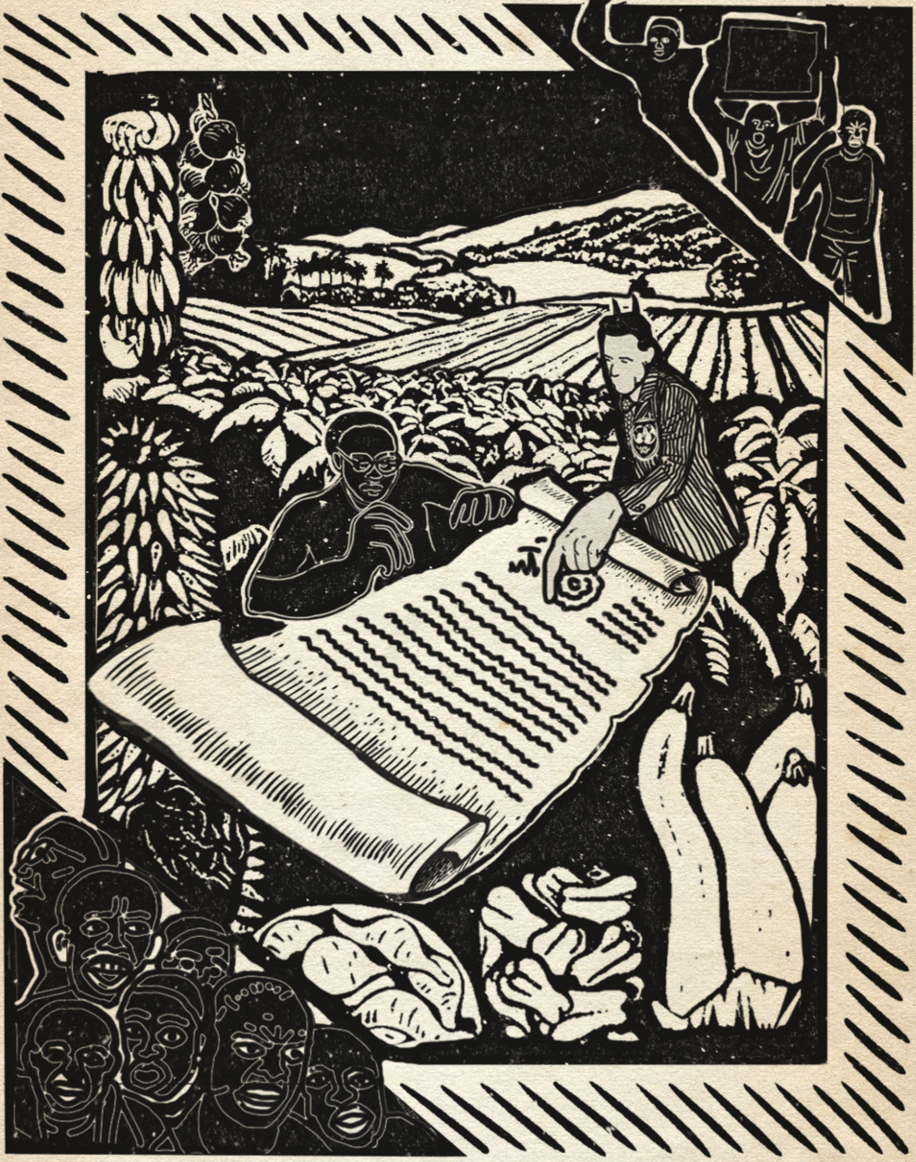
(ZESCO), whose implicit subsidy the IMF wanted the government to eliminate, which would increase electricity tariffs charged to poor households. Further, the IMF wanted the government to begin drawing up plans for the possible privatisation of the electricity utility or, at the very least, unbundle it into smaller units that would be easier to manage.

A final part of the IMF programme, concerned with the conduct of monetary policy, encouraged monetary tightening (raising of interest rates), a scenario that would affect the cost of credit across the economy.

The above conditions were to be closely monitored via semi-annual reviews which tied satisfactory performance to the release of further disbursements of the ECF loan. Just as in the Kenyan case, the IMF referred to the programme of conditions as 'homegrown', another verbal sleight of hand meant to hoodwink readers into thinking the policy prescriptions were autonomously derived by the Zambian government. Unsurprisingly, the Zambian economy has struggled to recover during the life of the ECF loan. The current loan is set to expire in October 2025, and the minister of finance recently suggested that he would ask the IMF for an extension and augmentation of the loan in a similar fashion to Kenya.[45]

The Kenyan and Zambian case studies show that IMF austerity is alive and well despite the organisation's protestations to the contrary, a reality that is widespread across the Global South. A 2021 study from the International Labour Organization (ILO) found that the IMF was tragically still requesting austerity as a precondition for assistance during the worst months of the COVID-19 pandemic.[46] A new book from political economists Alexandros Kentikelenis and Thomas Stubbs entitled *A Thousand Cuts* (2023) has found that the only consistent aspect of IMF lending policy over the period from 1980 to 2019 has been its insistence on austerity, especially in the poorest countries.[47]

Rather than engendering development and enhancing sovereignty, the IMF's forays into Africa continue to impoverish the continent while eroding national sovereignty and its broader continental project. Senegal, where we began this dossier, sits at a crossroads. A government audit shows that the previous administration misreported data, which reflected far lower debt burdens and budget deficits. This means that the loans were secured on false presumptions.[48] The IMF, therefore, has suspended the $1.8 billion credit facility to the country. Now, the government of Diomaye Faye, which came to power with a progressive mandate, will seek a new IMF loan in June.[49] Will other paths open up for Senegal, or will it be fated to trudge through the IMF debt-austerity agenda that has plagued countries of the Global South for decades?



Notes

1 On the CFA Franc, see the tremendous book by Fanny Pigeaud and Ndongo Samba Sylla, *Africa's Last Colonial Currency: The CFA Franc Story* (London: Pluto Books, 2021).

2 Amor Tahari, Jules de Vrijer, and Manal Fouad, 'Senegal, 1978–93', *Adjustment for Growth: The African Experience*, Occasional Paper no. 143, edited by Amor Tahari, Michael Nowak, Michael T. Hadjimichel, and Robert Sharer (Washington, D.C.: International Monetary Fund, 1996), p. 33.

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