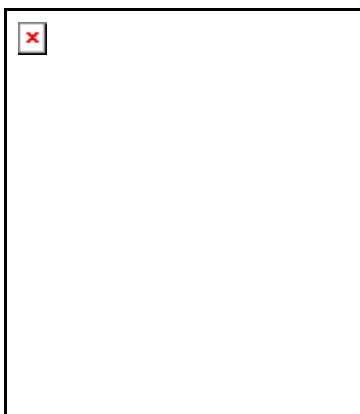
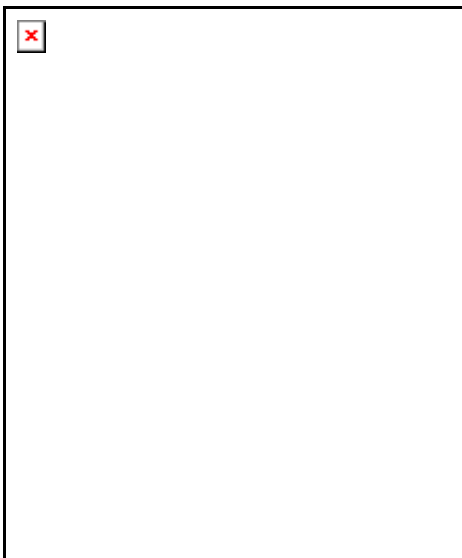


The World Bank and the International Monetary Fund (IMF) are the two largest sources of foreign currency loans for poverty alleviation in the poorest countries of the world. By the same token the poorest countries of the world owe more money to these two institutions than they do any other private or government institutions because most of these loans were so poorly designed that the borrowing countries have not reaped enough income to pay them back. In other cases government officials and private contractors have siphoned off the funds into private bank accounts. This international debt problem has become such a crisis that many poor countries pay more money to the World Bank and the IMF each year than they receive in loans. The World Bank's own figures indicate that the IMF extracted a net US\$1 billion from Africa in 1997 and 1998 more than they loaned to the continent.



Globally poor countries owed lenders from private banks to the World Bank almost US\$2.5 trillion in 1998, up US\$150 billion from the previous year. But the debt owed to the World Bank and the IMF is the most difficult to deal with because unlike private lenders and government aid agencies, the World Bank and IMF refuse to cancel debts because these two institutions say that their bylaws prohibit them from doing this. Additionally governments have special incentive to stay current with their multilateral debts, since the IMF determines the creditworthiness of countries: ie until the IMF gives its stamp of approval, which usually requires adherence to the economic policies it recommends, poor countries generally cannot get credit or capital from other sources.



This multilateral debt (money owed to international institutions like the World Bank and IMF as well as their sister institutions like the Asian Development Bank, the African Development Bank and the Inter-American Development Bank) has skyrocketed in the last few years for the poorest countries. For low-income countries (defined by the World Bank as those with per capita Gross National Product below US\$785), multilateral debt increased by some 544% between 1980 and 1997, from US\$24.1 billion to US\$155.3 billion, and currently constitutes 32.75% of their total long-term debt burden (versus about 25% in 1980). For the most severely indebted of those low-income countries, multilateral debt increased by 459%, from US\$10.6 billion to US\$59.3 billion, with a corresponding percentage increase in their long-term debt from 22.3% to 30%. (Of the 32 countries classified as severely indebted low-income countries, 25 are in sub-Saharan Africa. For example the country of Chad in West Africa saw its debt increase from US\$330 million in 1987 to US\$1 billion ten years later. Chad's debt/GDP ratio rose from 27.9 percent in 1987 to 54.9 percent in 1997.)

In the last few years the World Bank and the IMF have agreed to help countries that are suffering heavily from major debt burdens by creating the Heavily Indebted Poor Countries (HIPC) Initiative of 1996. But to qualify for HIPC, a country must complete three years under an IMF-designed Structural Adjustment Program. Even after that hurdle, the country must fulfill a further three years bound by another SAP before relief on multilateral debt is granted. The cruel paradox here is that the SAPs require them to cut spending on health care, food subsidies, and education.

Since the HIPC Initiative was adopted in 1996, only five countries-Uganda, Bolivia, Guyana, Mozambique, and Mali-have received or are in a position to receive any relief this year. And these countries have found HIPC relief to be worth relatively little. Uganda began to receive debt relief worth US\$350 million in April 1998, but as a consequence lost access to other debt relief funding mechanisms. With a drop in the international price of coffee, its chief export, Uganda found itself by April 1999 once again saddled with an officially "unsustainable" debt burden. An internal World Bank/IMF report indicates that Mali and Burkina Faso (slated for HIPC relief in early 2000) will actually pay more on their debt after graduating from HIPC.

Who does this debt crisis affect the most? The poor, who depend on the government for health and education subsidies, are the worst hit. And the World Bank recently admitted that the world added 200 million poor people to the rolls of poverty by 1998 over the 1.3 billion classified as living below the international poverty line in 1993 (people with an income of less than a dollar a day). Take for example Tanzania, half of whose population is illiterate, which spends a third of its budget on debt payments and spends four times more on debt than it does primary education. Niger, where life expectancy is only 47 years, spends more on debt payments than it does on health and education combined. Altogether sub-Saharan Africa spends four times as much on debt repayment as she does on healthcare.

For more information on the debt crisis see <http://www.jubilee2000uk.org/main.html>

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