“The World Bank and the IMF in Africa: Strategy and Routine in the Generation of a Failed Agenda”

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Debt financing by multilateral sources led by the World Bank has proliferated in the past twenty-two years. Between 1980 and 2002, long duration debt from international financial institutions (IFIs) increased nearly eight times to approximately $365 billion. Despite the widespread belief that private sources of finance have been replacing official sources, IFI loans have been the fastest growing source of debt for developing countries In relative terms, the debt from the IFIs increased from 10.7% to almost 19% of the total over this period. In Sub-Saharan Africa (SSA) expansion has been even more astonishing. The continent has been mostly cutoff from private capital flows and has experienced bilateral aid fatigue. By 2002, debt arising from the IFIs reached 36% of the total compared to 16% in 1980. Within this context, the World Bank (IBRD and IDA) has been by far the biggest player, increasing its share of total long term outstanding debt to 25% in 2002 compared to 11% in 1980 (World Bank, 2003a).

With this increased flow has been a commensurate increase in the power of the World Bank to dictate the policy agenda through loan conditionality. While the IMF has only doubled its debt to Africa over this period, the conditions of their Structural Adjustment Facilities or more recently Poverty Reduction Growth Funds continue to be at the core of aid agreements between donor and recipient countries up to and including the latest budget support schemes (Cramer, Stein and Weeks, 2003). After 1980, the first year of loans, structural adjustment conditionality had become ubiquitous in sub-Saharan Africa. By 1995, 37 sub-Saharan countries had received at least one World Bank adjustment loan and 33 had two or more loans. (Kapur et al., 1997, p.798).

African economies have performed poorly over the period of adjustment. The evidence is overwhelming. By 2001, SSA GNP per capita (excluding S. Africa) in dollar terms had fallen 43 percent since 1980 (World Bank, 2003b). Debates on the responsibility of adjustment for the poor performance of African economies have been rancorous and protracted.[2] While the World Bank and IMF have actively participated in these debates, the focus of this paper will be less on the impact of these measures and more on explaining and documenting the shifting policy agenda in Africa.

After two decades of loans largely for infrastructural support and brief flirtations with income distribution, basic needs and poverty reduction in the 70s, the World Bank in the

[2] The literature is extensive and will not be reviewed here except for the brief discussion in the last part of the paper. For a theoretical critique of adjustment including some of this literature and a more extensive empirical review of the performance of African economies since 1980, see Stein and Nissanke, 1999 and Stein, 2003.

1980s focused on the trinity of neo-classical orthodoxy, stabilization, privatization and liberalization. In contrast, the IMF had a long history of orthodox policies (stabilization component) dating from the 1950s. After 1980, Fund conditionality increasingly expanded both in terms of the duration of loans and by incorporating more items linked to privatization and liberalization strategies.

Beginning in 1989, the World Bank began to expand their developmental lexicon to include issues of governance and capacity building, social capital, institutions, poverty reduction, sustainable development, decentralization, ownership and others. By the late 90s, the IMF was also using similar terminology when discussing the challenge of African development and in discussing "new" strategies. The latter part of the essay will focus on the dynamics of this shift and the impact it has had at the operational level.

What has been the motivation for the shifting Africa agenda? Bilateral relations debates often focus on the role of nation-state actors in structuring international relations vs. the post-Westphalian argument on the transnationalization of relations. In the former context, policies towards Africa are the product of a confluence of state interests and domestic politics.

In the setting of an international organization, the debate is somewhat different, since by nature we are dealing with multilateral, not state entities. Neo-realists (Keohane, 1986) see multilateral agencies as a product of the interaction and relative power of participating states. In contrast, new realists like Robert Cox (1997) take a post-Westphalian view that points to a system greater than the sum of the interests of participating states. Following Cox, Boas and McNeill (2003) see multilateral organizations as structures of governance which establish a new social order which is embedded in the "nexus between material conditions, ideas and interests". These institutions provide an arena of contestation within institutionalized rules and procedures. Policy outcomes are seen as a product of the struggle between NGOs, states with membership and the institutions themselves. In this context, the actions of the hegemonic power are modified and tempered by the confluence of these actors.

This essay will take a somewhat different approach. As I will argue throughout the paper, the neo-realist approach understates the role of the United States as the hegemonic power in setting the policy agenda, in instituting a set of rules and concatenating norms that helped legitimize those priorities (through the domination of neo-classical economists in the Bank) and in acting as the vehicle for NGO access (via Congressional politics) to the World Bank and IMF. These are not loci of contestation between equal players but are institutions with only "relative autonomy", or, to use the terminology of Peter Evan's, they have "embedded autonomy". Although they are independent actors, the interests of the hegemonic power have been institutionalized. Thus, in some ways, the literature has falsely dichotomized both unilateral/multilateral and neo-realist/new realism distinctions.

The essay is divided into five sections. The first part of the paper provides a brief discussion of the foundation and structure of the World Bank and IMF. The second section traces the phases of World Bank in Africa up to 1981. The third examines IMF policy stages in Africa from the 1940s to 1981. The fourth section traces the decision making process in the Bank and Fund which led to their convergence to structural adjustment, including the broadening of the agenda into new areas like governance. The final section critically examines the post-1981 agenda and the reasons for its failure to generate development on the continent.

Foundation and Structure of World Bank and IMF Policy in Africa

The World Bank

In principle, the structures and policies of the Bank are supposed to reflect the will of the membership. The reality however is quite different with many of the changes mirroring the shifting priorities of U.S. foreign policy toward Africa.

In mid-1947, forty countries had become members of the World Bank. Only two were from Africa (Ethiopia and South Africa). In 1957, the same two were still the only African members, although membership had grown to 60 nations. As African countries gained their independence, the membership rapidly expanded to eight by 1962, thirty four by 1967 and forty by 1971. By 1971, African countries constituted 35% of the total membership, but had only 8.6% of the voting power. In contrast, the developed countries of Europe, North American and Japan with 20% of the membership controlled almost two-thirds of the votes (Mason and Asher, 1973, pp.65). The US had by far the largest vote with around 24.5% in 1970 falling to a low of 15.1% in 1990 before increasing to 16.45% in 2001(Boas and McNeill, 2003,p.26).

In principle, the distribution is based on measurements of national income, foreign reserves and contributions to international trade. In practice, the process is highly political with United States deliberately keeping its share above 15%, in order to maintain veto power over major decisions that require a 85% special majority.[3] No other country has veto power or anywhere near the votes of the US. Japan is the next highest at around 8%. While the ruling 24 member Executive Board of the IBRD mostly operates by consensus, the hegemonic presence of the US with its voting power is omnipresent. If a loan does not have the approval of the US, it is unlikely to be proposed to the Board. (Woods, 2000, p.133-34).

The internal structure of the Bank's dealing with Africa changed in 1961 with the creation of an Africa department. Prior to then, Africa was lumped together in a section with Europe and Australasia. A confluence of events pushed the Bank to increase its lending to Africa and to expand the scope of lending activities. Beginning in the late Eisenhower years, aid was seen as a vehicle to build up support in nations as a bulwark

[3] At the end of June, 2003, the US had a 16% voting power in the World Bank. At that time, the US was trying to block a proposal to increase the voting power of developing countries from 40% to 43 or 44% which might threaten the 15% benchmark. The US occupied one seat on the 24 member executive board of the IBRD, while the European powers had eight all together. The 47 countries of sub-Saharan Africa together had only two seats (Financial Times, Friday, June 27, 2003).

against Soviet expansion. Program assistance was perceived as being more effective if it was institutionally separated from foreign policy mechanisms (Gwin, 1994, p.14).[4]

In this context the US heavily pushed for the creation of a new arm of the World Bank known as the International Development Agency which could make loans to the poorer developing countries at more reasonable terms. The idea of creating a new agency for this purpose was actually proposed as early as 1951 by a US presidential commission led by Nelson Rockefeller. However, events in the late 1950s led by the Russian success of Sputnik and the creation of SUNFED (Special United Nations Fund for Economic Development) (Oliver, 1995, p.44) finally spurred its creation.[5] When the IDA proposal was formerly submitted by the US in July, 1959, it was a fait accompli since it was already cleared through Treasury discussions with World Bank officials and other donors.

One of the lasting effects of the creation of the IDA arose from its financial structure. Unlike the IBRD which is largely self-financed, IDA loaned money at less than the market rate and needed replenishment every three years. This gave the US Congress, which voted on the US contribution, a mechanism to impose conditions on the US allocation thereby influencing the World Bank agenda (Wade, 2002, pp.203-4). For example during the IDA 6 (1981-84) negotiations in 1979, McNamara was warned by key members of congress that the replenishment would be voted down unless he agreed to block all loans to Vietnam. McNamara complied (Kapur et al., 1997, p.1150). US NGOs, long ignored by the Bank, have used their access to the US congress to shift the World Bank into new areas such as the environment (Wade, 1997) and to later push the Bank in abandoning user fees in health and education.

The two other major units of the Bank were also shaped by the US. The IFC or International Finance Corporation was organized in 1956 after long delays from negotiations with the US government. The IFC extended loans to private companies in developing countries. Its size (reduced from a proposed capitalization of $400 million to $100) and initial operating principles (no ability to raise money on capital markets or to invest in stock) reflected pressures from a conservative US administration that felt the Bank should not compete with the private sector. MIGA (Multinational Investment Guarantee Agency) organized in 1988 to provide insurance for foreign investment and technical support for developing countries to formulate foreign investment policies was also delayed by a skeptical Reagan administration.

From Africa's perspective the IFC and MIGA have played rather minor roles. For example between 1970 and 74, the continent received only 5.5% of total IFC funds and in 1985 and 1990 only 11%. In contrast, Latin America for the same periods was allocated 37% and 46.5% of the total. IFC funding has also in most cases been much smaller than

[4] In the context of supporting the creation of the Inter-American Development Bank Eisenhower was quoted as saying: "If this instrument insisted upon social reform as a condition of extending a development credit, it could scarcely be charged with intervention." (quoted in Kapur et al., 1997, p.155)

[5]To quote a World Bank official working closely with Treasury, IDA "was not a US affirmative program" but "a desire to assuage Congress" and "to keep off SUNFED" (quoted in Kapur et al., p.155). SUNFED was a product of pressure of developing countries for development assistance in social areas under softer terms and was a potential challenge to the domain of the US dominated World Bank.

the overall percentage allocated to Africa(Kapur et al., p.885). In contrast as we will see below, the continent has been receiving a growing and disproportionate share of the IDA funds.

The IMF

The hegemony of the US in the Fund was also present from its inception. The IMF was created at the Bretton Woods Conference of 1944, and formally came into existence at the end of 1945. The US wanted a bank which was selective and conservative in its loan disbursements, with the US dollar as the reserve currency (backed by gold) and wanted it situated in Washington. Keynes, leading the UK delegation, wanted a new international currency (bancors), wanted ease of access of resources to maximize sovereignty in the choice of policies and wanted the Fund in New York or Europe removed from the politics of Congress. The US effectively vetoed Keynes' proposal and the IMF was born in accordance with its priorities, a pattern that has continued to the present.[6] The debate over the question of loan conditionality was particularly protracted with the US representative to the Bretton Wood negotiations Harry Dexter White pushing heavily for the Fund to be given the right to challenge any drawings[7]. While the language was fairly ambiguous in the final articles, the Board, almost from the onset interpreted the clauses along US lines (see discussion below).

Under the articles of the agreement the Board of the Executive Directors was responsible for the daily operations. Five of the twelve were appointed by the countries with the largest quotas. From the beginning the US always appointed one director. Over time the number of Executive Directors increased to 24. As the case of the World Bank, the Board seldom votes but reaches an artificial consensus reflecting the distribution of power. The voting power reflects the size of each country's quota. Once again the US has maintained an effective veto through voting power exceeding 15% (eg. the 85% rule on major issues also applies). As of March, 2002, the US had 17.16% of the vote.
(Boas and McNeil, 2003, pp.30-31).

While the policy model, the targets and the operating structure largely remained the same, new lending mechanisms gradually expanded the influence and resources of the International Monetary Fund. Many were developed in the post-1973 period as the IMF reinvented itself in the wake of the demise of the Bretton Woods system. In the early stages the IMF relied on member deposited funds to be relent to the membership through the quota system. After 1952 governments signed standby agreements with conditions tied to a series of tranches (see discussion below).

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[6] Keynes was very concerned the Fund and Bank would become a political tool. In the inaugural meeting of the Board of Governors of the IBRD and Fund in Savannah, Georgia in 1946 he asked the good fairies to look over the "Bretton Woods twins" and hoped the fairy Carabosse would not be forgotten since if she was to come uninvited she would curse the children by saying "You two brats" you "shall grow up politicians; your every thought and act shall have an arriere-pensee; everything you determine shall not be for its own sake or on its own merits but because of something else." Spoken with Keynes' usual clairvoyance... (quoted in Horsefielde, Volume I, p.123)

[7] See lengthy discussions in Horsefielde, Volume I, pp.67-77.

In 1962, the IMF greatly expanded its capacity to lend by the establishment of the "general arrangements to borrow". This gave them a line of credit with governments and banks greatly increasing the resources in support of their lending operations to member states. The Compensatory Financing Facility (CFF) was introduced in 1963 to help countries deal with temporary export shortfalls from external sources. Conditionality was generally lighter than upper tranches of standby accords. The CFF changed over time with increasing access permitted in 1966, 1975 and 1979. There was a growth in drawings in 1976 and 1980.

Of particular interest to Africa, the CFF, in 1981, expanded its domain to cover higher imports of cereals in the wake of poor domestic harvests and in 1988 to cover increases in interest payments caused by rising global rates. In 1988 the CFF was renamed the Compensatory and Contingency Financing Facility (CCFF) to reflect the expanding domain. However at the same time as the domain expanded, the IMF between 1983 and 1988, tightened the conditionality and made an existing program or eligibility for a standard program a prerequisite for financing(Bird, 2003, pp.231-32).

A few other facilities were introduced including the Buffer Stock Financing Facility (BSFF)in 1968 to assist countries with balance of payments problems arising from participation in commodity agreements. In 1974, the EFF (Extended Fund Facility) was also added as the Funds' first loan with a medium term focus. The aim was to give countries time to deal with sources of slow growth and balance of payments problems. An Oil Facility was set up between 1974 to 1976 to deal with the consequences of the run up of prices of oil after 1973. A Trust Fund was financed by Fund gold sales allowed these countries access to money at lower interest rates (sub-Saharan Africa received 28% of the total). Both the EFF and the Trust Fund were important precursors to the development of Structural Adjustment Facilities(SAFs) in the 1980s.

The EFF illustrated the ability of the Fund to get into "development" issues over a longer time horizon, a model later used by SAFs and ESAFs (Enhanced SAFs) when they were introduced in 1986 and 1988. The Trust Fund also was used to support the SAFs and ESAFs and provided a source of funds outside the General Resource Account (which supported all the other facilities) that could be given on concessionary terms. The main difference between the ESAF and SAFs was that the ESAFs went beyond the conditionality of a typical stabilization package to include broader Washington consensus elements (eg. such as trade openness and privatization). This led to the complete convergence with the World Bank. (Bird, 2003, pp.231-34). [8]

[8] In the 1990s the Fund's domain and facilities continued to proliferate. The Systemic Transformation Facility was introduced (1993-95) to assist the transitional countries, a Supplemental Reserve Facility in 1997 to deal with sudden losses in market confidence, and Contingent Credit Lines in 1999 as a precautionary line of credit to defend countries with "strong policies" against balance of payments crisis arising from the contagion effect of international finance. Also in 1999, the BSFF was discontinued (commodity agreements were no longer in fashion), the CCCF returned to its earlier name of CFF since it no longer used the contingency element and the ESAF was renamed the Poverty Reduction Growth Facility, as if the name change would somehow allow them to argue that it was always about poverty (Bird, 2003, pp.231-34).

The Policy Phases of the Bank and Fund up to 1981

The Bank

The policy phases of the World Bank largely followed the shifting priorities of US foreign policy in line with political changes in Washington and alterations in geo-political relations. However, the policy content of these new phases was not developed in a vacuum but also reflected shifts in academic fashions which influenced thinking inside the beltway (in and out of the Bank) and the idiosyncratic stamp of key individuals. Moreover, the use of temporal constructs artificially suggests high levels of institutional discontinuity when in reality the precursors to new policy paradigms were in place well before the new strategies were widely implemented.

The history of policy in the Bank can be divided into three phases infrastructural facilitator from 1945 to 1968, McNamara and anti-poverty development strategies 1968-1981 and Bank-Fund convergence on development: neo-liberalism and its peripherals 1981 to the present. The first two phases will be discussed in separate sections. The latter will focus on the development of the joint agenda in Africa as an illustration of the dynamics of decision making.

Infrastructural Facilitator 1945-1968

Eugene Black was President of the World Bank from 1949 to 1962 (but actually arrived in 1947 as the US executive director(ED)). He emphasized a narrow focus on lending for infrastructure projects with a clear demonstrable capacity to expand GDP and generate the income to repay the loan.

Black was a former bond seller and was interested in securing the safety of the World Bank issues with a conservative portfolio. To the US and other developed countries, he was an excellent choice to lead the Bank in the 1950s given the capital structure of the Bank. From its inception, only 3 to 5% of subscriptions of country members were paid to the Bank. The rest was in the form of “guarantees” by the states. Under Black’s tutelage the World Bank was able to maintain the triple A rating by Moody’s (first awarded in 1949) (Oliver, 1995, p.41). This was central to the operation of the Bank, since it required bonds to be floated at the lowest possible interest rates. Profits to finance the operations would arise from the difference between the interest rates charged and the rate paid by the borrowing country which would be lower than what they could receive from private credit markets.

Overall, 83% of all pre-IDA loans to poor countries were for power and transportation without a single loan to education, health or other social sectors (Kapur et al., 1997, pp.109-10). In Africa, this agenda was evident from the beginning. The first loan to an African nation was to Ethiopia in 1950 (Mason and Asher, 1973, pp.65,165). The focus was on developing transport and telecommunications infrastructure. The World Bank also financed a state owned development bank of exactly the type the Bank would criticize during the structural adjustment period! The reason was the lack of a viable private sector a problem that clearly had not disappeared in many African countries many decades later despite many years of privatization.

Other lending in the 1950s in Africa was directed to transport infrastructure to support the colonial extraction of minerals. No loans could go to African colonies without being guaranteed by the colonial power. Still, the quantity was not insignificant and amounted to roughly 10% of lending in the 1950s with four-fifths going to South Africa, the Federation of Rhodesia and Nyasaland and the Belgian Congo (Kapur et al.,1997, p.685-87).

By the early 60s, the infrastructural approach was so successful that the Bank was saddled with large excess earnings. At the same time there was a growing paucity of investment opportunities from their traditional clients. Further support for the expansion of the World Bank agenda affecting Africa, came from the newly elected president. Kennedy was a particularly strong proponent of using aid to foster democratic development in emerging nations. With this in mind, Kennedy selected George Woods a private banker and Chairman of First Bank Corporation as the new president of the World Bank (the US has always made the selection and always appointed a US citizen).

Woods planted the seeds of domination by economists in the Bank. Woods felt that greater economic knowledge of individual countries was important if the World Bank was to truly become a bank focused on broadly defined development issues. Woods hired Irving Friedman an IMF economist who had been involved with developing the country study agenda at the Fund. Friedman agreed to come only if Woods would create a new post as chief economist at the vice-presidential level. In his new position Friedman was instrumental in raising the profile of economists which were previously looked down upon by other World Bank officials. He hired nearly 200 economists (alone increasing the staff of the Bank, by 25%), organized an economics department which grew to the second largest in the Bank, set up an economics committee which evaluated all potential loan proposals to individual countries (prior to being sent to the loan committee), and did annual reviews of development and development finance which was the precursor to the World Development Report (introduced in 1978). Along IMF lines he strongly believed in conservative monetary and fiscal policies where governments avoid trade or payments restrictions, multiple currency regimes and inflation. Friedman started the practice of IMF representation in World Bank country meetings of the economic committee (Oliver, 1995, chapter 4)

Woods rapidly realized that expanding IBRD loans into “riskier” areas would solve the duel problem of excess profits (now justified by higher risk) and new avenues of investment. The new realm of lending focused mostly on agriculture with some commitment to social spending like education and water supply. A new category of “technical assistance” was created due primarily to a recognition of the weak technical capacities of newly independent states in Africa. The new program was formally introduced at the September, 1963 annual meeting (Kapur et al., 1997, p.181) bringing IBRD priorities more in line with the new IDA. By 1965 15% of overall spending was going to agriculture (up from 9% in 1960) and 5% to social spending (up from 0% in 1960) (Mason and Asher, 1973, p.200).

Overall Bank loans to Africa increased from 5.7% in 1960/61 to 14.7 % in 1966/67 with nations on the continent receiving more than half the technical assistance projects in that year (Oliver, 1995, p.188). From Africa's perspective perhaps a more important legacies of the Woods period was a large increase in the numbers, power and influence of economists in the World Bank and an increase in the linkage between the IMF and World Bank. This would later become important in advancing the neo-liberal agenda inside the Bank with the enormous consequences to Africa and other regions. It was a legacy which did not disappear with the push to poverty during the McNamara era.[9]

While George Woods with US backing laid a foundation for a new agenda, the overall affect on the direction of lending was moderate. Infrastructure still accounted for 64% of the total loans of the Bank from 1960 to 1969(Kapur et al., 1997, p.6). However, after 1968, with the appointment of McNamara, the spending pattern of the Bank began to more closely be aligned with the new philosophy.

McNamara and anti-poverty development strategies 1968-1981

Not surprisingly, given his role as Secretary of Defense and the failed military solution in Vietnam, McNamara's early concerns with poverty seemed to be focused on security issues.[10] He was clearly affected by Johnson and Kennedy's domestic war on poverty. In his speech at his first annual meeting, he explicitly pointed to the lack of correspondence between growth and poverty reduction. This to some extent preceded coming criticisms in the academic literature confronting the standard economic doctrine that growth alone was the best way to raise the standard of living for most people in developing countries.[11]

Moreover, the turn toward poverty issues was largely in consonance with shifts in US policy. In the 1960s, the American government sponsored the Alliance for Progress in Latin America which proposed policies aimed at improving income distribution and accessibility to health, education and housing. In addition, in 1973 Congress passed the

[9]Ayres(1983) in his study of the Bank under McNamara argues "The dominant ideology, widely shared, throughout the Bank, may be identified as that of neo-liberalism…The technocratic neo-liberalism is tenacious and was certainly far from totally discarded as a result of the reorientations, real and proposed of Bank activities since 1973…Poverty-oriented emphases sometimes seemed to have been passed on the prevalent ideology without, however, altering its fundamental slant" (pp 74-75). There is little doubt that many Bank economists were happy to unambiguously return to their central core of beliefs when Washington pushed its new set of policy priorities in the early 80s.

[10]"Among 38 very poor nations… no less than 32 have suffered significant conflicts…As development progresses, security progresses, and when the people of a nation provide themselves with what they need and expect out of life and have learned to compromise peacefully among competing demands in the larger national interest, then their resistance to disorder and violence will enormously increase…" (McNamara, speech May 18, 1966, to American Society of Newspaper editors, Montreal, Canada quoted in Oliver, 1995 pp.223-4)

[11] See for example Adelman and Morris, 1973. The challenge to orthodoxy was hardly a revelation to UN agencies like ECLAC given their work in the 1960s or to neo-Marxists like Paul Baran who's research was published in the 50s.

US Foreign Assistance Act which called for a new approach to development by concentrating on the needs of the poor. Bilateral assistance was to focus on food, nutrition, health and education aimed at improving the lives of the poor in developing countries (Ayres, 1983, p.9).

Spending during the first McNamara term in agriculture and social areas like education and water supply increased to 31% of the total to low and middle income countries. Between 74 and 82 it increased even further to 40% (Kapur et al., 1997, p.235). The period of his first term can be characterized as a search for policy alternatives and strategies to reduce poverty in developing countries. Various ideas such as population control and the use of distributional weights proved to be non-starters. Two-thirds of spending in the first five years was still in the traditional areas and much of the increase in agriculture and social areas was still missing the poor. While the Bank dabbled in issues like health, nutrition and employment (some of which were discussed in the annual country program papers (CPP introduced in 1968) the major shift occurred in the wake of his 1973 speech in Nairobi which saw rural development emphasizing smallholder agriculture as the backbone for a strategy to reduce poverty.[12]

The most dominant form of poverty focused rural strategies particularly for Africa was the area development approach. Over the period of 74 to 82 period 59% of all projects in East Africa and 63% in West Africa were in area development.(World Bank, 1988, pp.11, 24, 116-17). In some African countries the shift to area development strategies went beyond the World Bank to include other donors. In Tanzania, four donors in four integrated rural development schemes joined the three area development programs of the World Bank. In total between 1972 and 1984 $136.5 was committed to these projects (Kleemeier, 1984, p.43).

By the World Bank's own measurement undertaken by its operation evaluation department the area projects were a failure. In East and Southern Africa 12 out of 15 projects failed. In West Africa, 43% of area development projects failed.[13] While a variety of technical factors are cited in the report, in the African context, Bank officials in interviews in the early 80s tended to place the blame on poor state policies and institutions rather than design problems[14]. This set the tone for shifting the focus toward liberalization and privatization in rural areas in the 80s and 90s.

The IMF

[12] Other new elements of the poverty agenda were introduced after 1976. Prodded by ILO studies (ILO, 1976) that employment generation and growth were not sufficient to guarantee basic needs, the World Bank generated a series of country and sector specific evaluations. There was heavy opposition, with proponents in the Bank forced to justify basic needs proposals in strictly cost and economic terms. Strong opposition by chief economist Chenery and his assistant Ernie Stern (chief of operations after 1978) ensured that the proposals did not go beyond the study stage. The argued that there were too many growth opportunity costs to basic needs (Kapur et al., 1997, pp.263-268). With McNamara's departure basic needs discussions were abruptly dropped.

[13] The criteria for failure are less than a 10% internal rate of return on the projects.

[14] See Ayres, 1983, pp112-115 for discussion of Nigeria and Tanzania.

Unlike the Bank, the IMF was affected less by the shifting fashions of development theory and policy. However, like the Bank they were still used for great purpose by the US government over the course of the post-war period. The history of the IMF as it affects Africa can be divided into a three broad periods, enforcer of fixed exchange rate regimes 1945-1971; the interim search for a new identity: 1972-81 and Bank-Fund convergence on development: neo-liberalism and its peripherals 1981 to the present.

Enforcer of the Fixed Exchange Rate System 1944-1971

In general the purpose of the Fund until 1971 was to manage a fixed exchange rate system and make foreign currency available(through revolving loans) to countries with balance of payments problems (although formally there were six purposes in its Articles of Agreement). Countries contributed to the capital of the bank through a quota system based on the size of their national income, their reserves and their contribution to international trade.

Twenty-five percent of their quota (or 10% of its gold and dollar reserves if it was less) was initially in the form of gold with the rest deposited in their national currencies. In the initial formulation governments could swap up to 25% per annum of their currency for a total deposit of 200% of their quota. Graduated charges were set on amounts of currencies in excess of their gold tranche (article 5, section 8). Beyond this there was no formal conditionality on the loans except for some rather vaguely worded provisions. In section 5 of the same article, it states: " if the Fund is of the opinion that any member is using the resources of the Fund contrary to the purpose of the Fund" it can "declare it ineligible to use the resources of the Fund". Article XX 4(i) on the final provision reiterates this fund option to postpone exchange transactions if resources use would be "prejudicial to the Fund or the members" (Horsefielde, Vol III [Articles of Agreement] 1969, p.192, 209).

The Board interpreted its mandate in very conservative terms along US lines discussed above. The first approach to draw funds actually came from an African country, Ethiopia, on April, 1947 for $900,000. The Board turned it down since they were skeptical that so large an amount could be "presently needed" although it approved a subsequent request in 1948 for a third of the amount (Ethiopia and South Africa were the first two African countries to draw from the IMF).[15] In contrast in May, 1947, a drawing of about 5% by France was rapidly approved. The bias against the ease of borrowing by developing countries was rapidly being put in place. When Mexico's applied for a drawing in August it was only approved after a lengthy discussion of its economic position. In September, 1947 conditionality was formally put in place. Chile was told that its drawing would only be approved if appropriate fiscal and monetary measures were undertaken. The Board debated whether they had the right to impose conditions and in the end decided that if it was permitted to declare a member ineligible under Article 5, section 5 (discussed above), then it could certainly impose lesser constraints like loans tied to policies. (Horsefielde, 1969, Volume I, p.187-92).

[15] Egypt and Liberia were the other African members who were initial members of the Fund.

Conditionality became ubiquitous in the wake of the standby agreement system formally introduced in 1952. These accords directly linked lines of credit from the IMF to certain policy targets. Gradually standby arrangements became the most common mechanism accessing IMF resources. Along with this was the commitment to stabilization programs. From the beginning the focus was on incorporating anti-inflationary policies into stabilization programs.[16] The emphasis was on readily quantitative targets on the expansion of domestic credit(sometimes sub-divided by sector), growth of foreign debt, setting budgetary goals, and balance of payment and exchange reserve targets. The relation was formalized by Polak (1957) and become known as the financial programming approach. The typical agreement was for 12-18 months with repayment in 3 ¼ to 5 years. Credit was allocated in tranches with conditionality becoming stricter with each tranche. The focus was on a monetarist approach to maintaining fixed exchange rate by adjusting domestic absorption capacity to deal with balance of payments crises.

In the early independence period standby agreements dominated the Fund agenda in Africa. Between 1960 and 1972, 51 standby agreements were signed between the Fund and 12 African countries (43 with 10 sub-Saharan African countries). In 1962, Egypt was the first country to sign a standby accord with the IMF in 1962 followed by Liberia in 1963 and Mali, Somalia and Tunisia in 1964. Loan amounts were typically small and under SDR 10 million. Only Egypt, Ghana, Sudan and Zaire had loans of higher amounts of between 20 and 40 million SDRs(Mohamed, 1993, pp.92-93). Overall, the role of the Fund in Africa was minor. They were largely preoccupied with managing the Bretton Woods system in the more advanced countries. Only 3.7% of Fund credit went to African countries during the 1960s (Ferguson, 1988, p.204). As we will see below, this changed dramatically after 1971.

The interim search for a new identity: 1972-81

In 1972 the Fund was largely overseeing the unraveling of the post-war system. By 1973, most of the developed countries abandoned the fixed exchange system. The IMF was informally allocated the rather ill-defined job of surveillance of exchange rate policies. Until 1978 when a new Articles of Agreement was formulated, no IMF member was performing their exchange rate obligations in line with the Fund's Articles (De Vries, 1986, pp.117-18). The period was characterized by a series of disturbance including the severe recession of 1974-75 and the OPEC oil price boosts and considerable disaccord among the membership. The Fund gradually evolved into a lending institution from the manager of an exchange rate system.

Developing countries inside the Fund heavily pushed for a link between SDR allocations and development needs (rather than their earlier mechanism based on quota size).

[16] In the chapter on standby agreements in the official history of the IMF, the author Spitzer states:"The generally expansionary environment which has prevailed in most parts of the world since World War II has intensified the need for anti-inflationary policies and has encouraged their embodiment in comprehensive stabilization programs. In its work with its members the Fund has devoted much time and thought to fostering such programs "(Sptizer,1969, p.468)

Compared to other facilities, SDRs were rather attractive in the 70s due to their low interest rates (1 ½ per cent) and ease of access (use of 70% of cumulative allocation without repayment obligations). The U.S. blocked the proposal even in the face of strong support from Italy and France(Ferguson, 1988, p.130). However, the issue of an increased role in developing countries was a persistent one and became increasingly central in the search for a functional redefinition. In 1974 the Boards of Governors of the Bank and Fund created a new joint committee on the transfer of resources to developing countries. New facilities (EFF, Trust Fund, etc) discussed above were created with developing countries in mind (De Vries, 1986, pp.133-34).

In the 1970s sub-Saharan Africa began to use some of the new facilities. In 1975 91% of 262 million their net-SDR borrowing from the Fund came from the Oil Facility and in 1976, 73% of the 264 million SDR allocation came from the CFF and BSFF. However by 1978 standby agreements with the tougher conditionality again dominated flows from the Fund with 92% of the total net borrowings coming from credit tranches in 1977, 71% in 1979 and 76% in 1980(Mohamed, 1993, pp.92-93). This was a pattern which foreshadowed developments after 1981 when structural adjustment became the dominant policy agenda and standby agreements became the prerequisite for all foreign assistance in Africa. While developing countries in the 1970s took an increasing portion of the total IMF resources to nearly 59% (from 46% in the 70s), no other region's share grew as rapidly. Overall credit allocation to Africa increased nearly 10 times from the 1960s (in nominal terms) rising to 11.3% of the total to all countries (Ferguson, 1988, p.204). As we will see below the commitment to Africa rapidly accelerated in the early 1980s.

World Bank-IMF Convergence after 1981

The World Bank Shift to Adjustment

While the IMF commitment to the neo-liberal model was in place long before 1981, the larger question is the reason for the World Bank's movement in the new direction.
Boas and McNeill (2003) argue that the foundation for adjustment was present from the 1970s. In particular there were growing criticisms of state-led development models by neo-liberals like P.T. Bauer and vocal criticisms by the US government of the World Bank. In particular they point to a 1976 speech at a Bank conference by Treasury Secretary William Simon opposing any increase in the US contribution to capital. The speech called for a greater recognition of the role of the private sector in development. However this was hardly a revelation or anything knew to the Bank which had an arm already lending exclusively to the private sector (IFC).[17]

The policies, however, did predate the Thatcher and Reagan elections (of May and November, 1979, respectively). A key aspect was the appointment of Ernest Stern in July 1978, as the v.p. in charge of operations and as chair of the Loan Committee. Since his

[17] The dispute was focused more on lending terms not policy with a particular worry about the sustainability of loan to capital ratios and the rising spread between US and World Bank interest rates on bonds (Kapur et al., 1996, pp.992-997).

days as an economist at USAID macrostabilization was a particular interest of Stern's. He was also quite uncomfortable with the basic needs strategy complaining repeatedly about the trade-off with growth ((Kapur et. al., 1996, p.267 and see footnote above). For McNamara issues like good macro policies and trade liberalization were "matter of fact", but not necessarily of greater consequence than many other issues.

In a May, 1979 McNamara in a speech to UNCTAD was planning to urge the developed countries to open up their markets to developing country exports. Stern and others saw the opportunity to raise their pet macro issues arguing that to avoid being a "nonplayer bearing unsolicited advice" the Bank should add trade policy to their agenda.

Thus in May 10, 1979 in Manila, McNamara stated:

> In order to benefit fully from an improved trade environment the developing countries will need to carry out structural adjustments favoring their export sectors. I would urge that the international community consider sympathetically the possibility of additional assistance to developing countries that undertake the needed structural adjustment for export promotion in line with their long-term comparative advantage. I am prepared to recommend to the Executive Directors that the World Bank consider such request for assistance and that it make available program lending in appropriate cases.(quoted Kapur et al., 1996, pp.506-507)

Less than a week later, Stern generated a long memo outlining the new approach. McNamara was favorably inclined. By the midsummer the process was accelerated by the second oil shock and the rapid need for balance of payments support. McNamara saw the opportunity to increase the loans and profile of the Bank, while Stern saw an opportunity for his new policy framework. After considerable discussions the directors approved a moderate allocation of bank funds (roughly5 to 6.5 percent of the total IBRD/IDA loans) . This was only twelve weeks before the end of McNamara's term.

A series of changes quickly pushes adjustment to the center of the new agenda. In July, 1981, the Reagan regime put forward Bank of America president, A.W. Clausen a staunch supporter of free markets as the new head of the World Bank. In addition Mahbub ul Huq the biggest proponent of anti-poverty strategies left the Bank, while the pragmatic Hollis Chenery was replaced by the dogmatic neo-liberal Anne Krueger, as chief economist (Kapur et al., 1996, pp.507-512). The new senior staff had close ties to the new Reagan presidency (intellectually and otherwise) which ensured an embedded presence of US priorities. More than anywhere the new agenda had the greatest impact on sub-Saharan Africa, due to its growing dependence on multilateral finance.

The First Decade of Adjustment in Africa

In 1981, the World Bank published a study laying out its new agenda in Africa. "Accelerated Development in Sub-Saharan Africa" or the Berg Report (named after its principal author) squarely placed the blame for Africa's poor performance on poor government policies (World Bank, 1981). While the report was undertaken in response to a request in 1979 by African governors of the Bank for a special study of the region, there is little doubt that the hiring of Elliot Berg, a staunch neo-classical, was no coincidence. Ernie Stern quickly jumped on the report with a memo to McNamara in April, 1981 to justify his new agenda.

For African economies to grow, it would require "governments individually coming to grips with the distortion of prices and resource allocation and the operational responsibility assigned to the public sector and making necessary changes". In the same memo Stern also blamed donor policies "which have supported domestic strategies which were inappropriate". In response, he called for much closer donor coordination where the Bank should be prepared "to take a lead in assisting governments to undertake the changes indicated on the one hand and to raise the resources and strengthen donor coordination on he other" (quoted in Kapur et al., 1997, p.716-17). Thus the idea of the donor cartel pushing the structural adjustment agenda in Africa was born.

The IMF with its long history of conditionality-linked program aid was brought in early in the process. When the structural adjustment lending was proposed to the Executive Board of the Bank in 1980, they was concerned about overlapping with the Fund's sphere of operation , coordination problems and Articles of Agreement which restricted program loans to "exceptional" cases. The senior staff of the Bank successfully argued that exceptionality would simply be defined as countries already having a Fund stabilization program (Mosley et al, 1991, p.37). Management also ensured that the policy changes they proposed would be outside the core concerns of the Fund and that they would carefully synchronize any macro-related policies with the Fund. Thus the IMF was also brought on board. Moreover, the IMF was given most of the responsibility for generating the "jointly produced" Policy Framework Papers for countries undertaking adjustment measures setting out the major multiyear targets.

After 1980, the IMF jumped into Africa with enormous enthusiasm while the Bank moved more cautiously in its new direction. In a time when the Fund's role in the global system was being questioned, the IMF was trying to redefine itself in the wake of widespread criticisms in the press. Between 1980 and 1983, the net flow of Fund loans to sub-Saharan African countries reached \$4.3 billion compared to only \$2.83 from the World Bank. By 1983, it was clear that the economic crisis was not resolved and the repayment to the IMF would threaten the sustainability of the new strategy.The Bank rapidly pitched in by increasing its lending for structural adjustment from .9 billion in 1980-83 to 3.3 billion in 1984-87 or from 13% of total lending to 36%. Overall net inflows reached \$4.7 billion compared to a negative outflow from the Fund of 3.22 \$billion.

Much of this new adjustment lending was in the form of sectoral adjustment loans (SECALs). With many African countries having difficulty implementing economy-wide adjustment programs, SECALs with their narrower focus, were introduced in 1982, to deal with burgeoning balance of payments problems. While six African countries received SALs and SECALs between 1980 and 1983, an additional 21 countries were added to the list between1984 and 1989(Kapur et al., 1997, pp.510-11, 519).

The introduction of SECALs was only the beginning of a long history of "innovations" in the design or delivery of adjustment in the face of the protracted decline in Africa without fundamentally altering the commitment to the core program. To protect the integrity, resources and reputation of the Bank that invested so much in adjustment in Africa, it was necessary to find a way for it to work.[18] The domination of the neo-classical trained economists in the Bank where policy is posited deductively from a set of core axioms also limited the domain of self-criticism.[19] Fault by definition could not arise from the premises of the model, but from outside factors, inadequate implementation or inadequate resources.

This was worsened in the wake of the hiring of Anne Krueger as the chief economist of the Bank. Former research staff of economists were seen as too "statist" in their views and deficient in appropriate technical skills. Three years after her arrival, 80% of the staff of the Development Research Department had left replaced by people with the "appropriate skills". Between 1983 and 1986, the Economics department set up an "intelligence system" to identify staff with positions diverging from the established views and to reward loyal followers (Kapur et al., 1997, pp.1193-94). By 1991, 80% of all the senior staff of the Policy, Research and External Affairs Departments was trained in economics or finance from UK or US institutions which tended to focus on a very narrow neo-classical economic curriculum (Woods, 2000, p.152).

Through much of the 80s the Bank all but forgot the problems of poverty. Stern and Krueger relied on neo-classical deductive arguments that the poor would automatically gain from adjustment.[20] Since overvalued currencies, export taxes and protectionism favored the urban population, and most poor were in rural areas, devaluation and liberalization would raise the income of the rural sector thereby reducing poverty. Stern took it a step further by invoking an argument that would be used again later in the context of support for shock therapy. For political reasons, rapid adjustment was best for the poor since if it is implemented slowly resistance could build by elites who are hurt by adjustment. Moreover, rapid adjustment would be the fastest way to raise economic growth which would be of greater value for the poor. It was also the quickest way to reverse the rising debt burden. Krueger also deliberately discouraged any work on the social cost of adjustment or debt thereby discouraging alternative policy development in the Bank.

These views were quite consistent with the conservative US treasury which in memos to President Clausen was concerned with privatization, macroeconomic policies, financial

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[18]The World Bank early on recognized the danger of failure of is agenda in Africa. In a briefing to incoming President Conable(April 23, 1986) it was stated "We must recognize that the role and reputation of the Bank Group is at stake in Africa...We have been telling Africa how to reform, sometimes in terms of great detail. Now a significant number of African countries are beginning to follow the Bank's advice. If these program fail, for whatever reason, our policies will be seen widely to have failed, the ideas themselves will be set back for a long time in Africa and elsewhere" (quote in Kaupur et al, 1997, p. 730).

[19] The methodology and theory underlying adjustment is critically discussed in Stein and Nissanke, 1999 and below.

[20] See Krueger's study of agriculture Krueger (1991) for these arguments.

and management issues rather than anything on poverty or social spending. They also helped shield the Bank from criticisms from liberal elements of Congress. [21] The view of poverty and adjustment was also consistent with the view of the IMF throughout the 80s.[22]

While the Krueger period (1981-87) was the most ideologically extreme, the commitment to neo-liberalism and neo-classical economic methods had been institutionalized with a system which readily allowed pro-free market results to be rapidly disseminated with little question and critical studies to be challenged and sent back for restudy (Wade, 2002, p.219). As the agenda began to broaden through the 90s to include governance, decentralization, ownership, social capital, legal reform, participation, poverty reduction and so on three elements were evident. First there was an unwavering commitment to the core set of adjustment policies. Second, each new policy was seen as a complement to adjustment which would enhance or act as a catalyst to reform. Third, the microfoundation of each new element was based on neo-classical economic theory.

The Failure of Adjustment and the "Broadening" Agenda

Within a few years of the beginning of adjustment, it was apparent that the situation was not improving in Africa. The blame was not on the policies but "by the lack of external capital."[23] To deal with this, the Bank strengthened its coordination functions to ensure all the donors were behind the same policies. A key mechanism was the strengthening of the African consultative group (annual aid meetings between donors chaired by the Bank) from five in 1980 to 1982 to sixteen in 1987. The number of donor sector meetings also increased with 12 being held in African countries in 1986. The situation of financing was exacerbated by pressure from the US which decreased its contribution to the IDA 7 replenishment. At a donor meeting in January, 1985, the Bank organized a new source for backing its structural adjustment programs, the Special Facility for Africa (SFA). Beginning in July, 1985, the SFA provided $2 billion in additional support to IDA eligible African countries that were undertaking significant policy reforms. The SFA was financed by France, Italy, the Netherlands, Japan, Germany, the UK and IBRD money transferred from profits (Kapur et al, 1997, p.733). The Bank was also successful in encouraging countries to support adjustment through bilateral aid programs. By 1990, Japan, for example, allocated 25% of their growing commitment to sub-Saharan Africa to structural adjustment[24].

[21] In a parallel course, USAID, a strong supporter of neo-liberalism in the 80s, beginning in 1990 sponsored a team of neo-classical economists at Cornell to study poverty and adjustment. The individuals selected pretty much predetermined the results. Sahn et al. (1998) use CGE models and SAMs and absurd neo-classical assumptions like no unemployment and Sophist reasoning where the wealthy are defined in terms of their access to economic rents, to prove that their incomes diminish after liberalisation when rents by definition decline. In contrast, the poor are better off after adjustment because they are in rural areas and proportionately have more access to income from tradeables which will increase in price in their world of adjustment. For a critique, See De Maio et al. ,1999, and Stein ,2000.

[22] "There is no support for the view that adjustment programs generally hurt the poor as a group. The rural poor benefit directly from adjustment programs" (IMF, 1988) quoted in Kapur et al, p.357, footnote 111.

[23] From memo from Stern to Clausen in Dec, 1983 quoted in Kapur et al., 1997, p.732.

[24] Adjustment was seen by the Japanese as a US priority and was supported for bilateral reasons (Stein, 1998).

The continuing lack of progress and growing frustration with developments in Africa increasingly pushed the Bank into new avenues, some long prohibited by the Articles of Agreement. Increasingly the issue of politics began to move into the discussions.[25] In its 1989 report on Africa, the Bank announced "underlying the litany of Africa's development problems is a crisis of governance" (World Bank, 1989, p.60). The issue was defined generally to include efficient and accountable public administration, protection of human rights and freedom of the press, a reliable judicial system, political pluralism and protection of human rights.[26]

The Executive Board became somewhat concerned that governance might contradict Article IV, section 10 of the Articles of Agreement.[27] A task force was organized in the fall, 1990 to investigate. A legal opinion by the general counsel opened up the agenda by outlining aspects of the governance that were acceptable to the Bank's development work including civil service reform, legal reform, support for greater participation, public spending accountability, and budgetary responsibility. These were justified on the grounds of improving the stability and predictability of the government and enhancing the rule of law. These were not arising from ideological and political preferences but simply justified on the technical grounds of "improving efficiency". In the report issued in 1992, on "Governance and Development" "good governance" became "synonymous with sound development management"(World Bank, 1992).[28].

The 1989 Africa study and issues raised by the governance report rapidly influenced the agenda for Africa. The Africa regional group within the Bank began to explore issues of governance, participation and human rights. One aspect was picked up by the learning group on participatory development. The governance issue led to a reorganization of the Africa Technical Department to create a capacity building group and to examine civil service reform. (Miller-Adams, 1999, p.112-13).[29]

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[25] One senior official commenting on 1983 progress report "the major cause of the crisis is political not economic and is caused by self-seeking, corrupt politicians, and senior civil servants who really don't care or are not allowed to care about development and their people", quoted in Kapur et al., 1997, p.760. In 1989, politics was creeping into decision making. The Bank suspended disbursements to Benin until the government secured broader support for its adjustment program. Beginning in 1990, the Bank joined donors to press for more political accountability and transparency in Kenya, Malawi, and Tanzania . In November, 1990, at a Kenya consultative meeting chaired by the Bank, aid became contingent on political reform. Within donor circles, corruption, military spending, human rights and democracy became an acceptable part of the African agenda (Miller-Adams, 1999, p111; Kapur et al., 1997, p.761).

[26] The shift towards governance in the Bank corresponded to a comparable reorientation with USAID (Miller-Adams, 1999, p.106).

[27] The Bank and its officers "shall not interfere with the political affairs of any members, nor shall they be influenced in their decisions by the political character of the member or members concerned" (quoted in Woods, 2000, p.145)

[28]The meaning of this has evolved over time. In a recent report on governance from the Bank, six dimensions of governance were cited, voice and external accountability, political stability and lack of violence, crime and terrorism, government effectiveness, lack of regulatory burden, rule of law and corruption (Kauffman,2003, p.5). Kauffman is the Director of Global Governance and Regional Capacity at the World Bank Institute.

[29] Mamadou Dia (1994) of the Africa department explains the poor governance in Africa as arising from the existence of patrimonialism. Patrimonialism is a system where leaders are unwillingness to distinguish

The new agenda was given further impetus with the 1992 publication of the Bank's task force on portfolio management. The so called Wapenhans report responded to the rising rate of implementation problems with World Bank loans. It pointed to an insufficient focus on political and institutional factors. It questioned whether support would naturally arise as adjustment progressed and urged the Bank to find ways to increase borrower ownership (Miller-Adams, 1999, p.108; Santiso, 2002, pp.11-12).

With growing pressure to deal with the governance agenda, the Bank searched for a practical operational meaning. In practical terms, much of the "new" agenda has been through the reclassification of existing strategies and projects under the rubric of governance. A 1994 evaluation of governance attempted to assess the proportion of selected operations with governance content between 1991-93 (68 % for capacity building; decentralization, 68%; 49% economic management; state-owned enterprise reform, 33%; participation, 30%; and legal framework, 6%.) (World Bank, 1994a, p.xv).

In parallel, beginning with the 1990 Annual Report, a new category of loans for public sector management was added. Data from the 1980s was reclassified to incorporate the new category. On average between 1981 and 85 African countries received $ 3.3 million dollars to improve public sector management which was less than 1% of the total. By 1988 it had risen to $165 million or 5.6% of total loans from the Bank. The total peaked in 1996 with $592.2 million or 21.8% lent in this category to Africa before falling to 5.3% in 1998 and 5.2% in fiscal year 2001. In most years, African countries received proportionately more lending for public sector management relative to overall averages. In the peak year nearly one-third of all loans in the area were going to sub-Saharan African countries with the average allocation for all countries of 8.7%.

Beginning in 2002, the governance agenda was given full representation with the introduction of a new "thematic" system with 11 different categories. Two new categories "public sector governance" and "rule of law" had explicit governance implications with some categories including management in their title (with implicit governance implications). Other themes included development (urban development and rural development) and social considerations (social protection and risk management). With a revisionist sweep of the hand (as if they have been focusing on governance, development and poverty reduction all the time not neo-liberalism), data was reconfigured back to 1993. Public sector governance was the largest category again in 2002 at 23% of total loans for Africa only slightly below the total allocation to all countries of about 21.8% (World Bank, 1990, 1999, 2002).

With the renaming of structural adjustment loans in Sept, 99 as poverty reduction strategy credits most explicit discussions of adjustment disappeared. The last clear reference appeared in the 1999 Annual Report and covered the years 1997-99. In 1997, adjustment lending accounted for 40% of total Bank lending to Africa. In 1998 it fell to 28.5%

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between personal and public property. Political and personal loyalty are awarded above merit. Along Governance and Development lines, the patrimonial state is one that lacks accountability, transparency and the rule of law.

before rising to back to 37.1% in 1999. In all regions adjustment spiked up in 1999 after the Asian crisis (World Bank, 1999, pp.33,97).[30] Despite the rhetoric, if financial allocation was any indication, adjustment was still the dominant part of the agenda in the late 90s.

The IMF also joined in the new agenda. In a 1997 IMF document,[31] the Fund indicated that it would weigh in on the economic side of governance including the transparency of government accounts, public resource management effectiveness and regulatory stability of the private sector. These would be handled with monitoring, advice on policies and technical aid. Corruption would be considered in cases where there was an indication of clear macroeconomic implications. In practice, governance related conditionality has been in five general areas, fiscal and public sector reform, legal and judicial reforms, transparency and accountability in public management, banking and financial sector reforms and informational reforms.

It is quite evident that many of the areas listed as governance are simply reclassifying long existing programs under the rubric of governance. For example in Box 2 in its 2001 review of governance, the Fund lists bank privatizations, reforming state enterprises, eliminating customs exemptions, improving macroeconomic data base, removal of extra-budgetary spending etc. Much of this is old wine in a new bottle.[32] There are two changes that are evident. First is a growth in the codification of acceptable practices after 1997, mostly developed in cooperation with the World Bank[33]. Second is the increase in the frequency that governance issues were raised in Executive Board country consultation discussions from 18% in 1994/95 to 62% in 1998/99. Most issues focused on transparency and accountability. In about 4% of reviews, corruption was addressed. Third

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[30] In a precursor of things to come the Bank justified the new lending not in terms of implementing a wish list of liberalization measures of high priority to the US and other G8 members but to reduce poverty. To quote from the 1999 Annual Report “Nearly 70% of adjustment lending in FY99 was poverty-focused…The fundamental rationale for Bank involvement in the crisis is to reduce their short- and long-term effects on poverty. This involves support for economic and financial reform…aiming to ensure that economic recovery would favor the poor…” (World Bank, 1999, p.11). Shortly after they simply renamed the device as poverty reduction strategy credits. By the 2000 the multisector category was no longer representative of adjustment with some portion moved into a new category called economic policy (World Bank, 2001, p.26, note a).

[31] The governance guidelines were approved by the Executive Board in July, 1997 (“The Role of the Fund in Governance Issues: Guidance Note”).

[32] The Fund admits this in the report “Even before the 1997 report, the Fund’s involvement in governance was already considerable. This involvement was often in the form of policy advice and technical assistance that promoted sound public resource management and economic efficiency albeit without an explicit recognition that such activities were related to good governance” (IMF, 2001, pp. 11). The survey of activities covers the period 1994-1999. The 94-97period predates the 1997 official commitment to governance.

[33] The list is fairly long and includes the “Code of Good Practices on Fiscal Transparency” (1998); the “Code of Good Practices on Transparency in Monetary and Financial Policies” (1999); and the “General Data Dissemination System” (1997). Only the “ Special Data Dissemination Standard” clearly predated the Guidance Note. However it was updated in 2000. Much of this is imposing standards that developed countries never faced and is only one of many current examples. For an excellent critical view of the implications to the development process of IFI standards and policies see Chang, 2002.

was the growth in the number of governance related conditions from an average of 3.4 in 1994/1995 to 6.6 in 1998/99 (IMF, 2001, pp. 11).

African countries seem to have a disproportionately large numbers of governance related conditionality. One author's survey of letters of intent and policy framework papers of 13 African countries between 1997 and 1999 indicated an average of 9 governance related conditions of a total of 23 or roughly 39% (Santiso, 2002, p.22).

New Strategies and Routines in Africa: Toward an Assessment

More than any region, Africa has felt the full effects of the shifting agendas developed by the World Bank and IMF particularly after 1980. Over the adjustment period, sources of private finance virtually disappeared in Africa. No other region experienced a comparable level of marginalization from private capital flows. The African portion of developing country FDI fell dramatically (see discussion below). Private debt in nominal dollar terms in 2001 was actually less than 1980 and was a mere 11% of the total from 34% in 1980 with the rest arising from official sources (World Bank, 2003b).

Moreover, with the end of the cold-war the option of African nations to re-define themselves ideologically or to play off one side against the other superpower for potential largesse rapidly disappeared. The coordination of bilateral and multilateral aid around structural adjustment ensured that almost any African country interested in accessing international finance was required to accept conditionality. With the HIPC initiative the incentives for agreeing to new forms of conditionality became even stronger.

The dominance of neo-classical economists in the Bank has ensured that the post-1980 policy agenda is based on a series of narrow theoretical propositions[34]. The "holy" trinity of adjustment, stabilization, liberalization and privatization has been the core strategy of last two decades. Policies arise from a hodgepodge of neo-classical economic theories including McKinnon-Shaw financial repression theory, Swan-Salter Australian model of macroeconomic adjustment in a small and open economy, the IMF financial programming model, traditional trade theory, public choice models of government behavior etc. These models focus on nominal variables and marginal changes in response to 'correct' prices. Theoretically they presupposes a base of institutions, organizations, skills and structures that allow "free" markets to achieve an optimal allocation of resources. These conditions do not exist in any African economies (arguably they don't exist anywhere outside the mind of a neo-classical economist).

The impact of these policies has been at best disappointing. Virtually every economic and social indicator since 1980 has declined. While there has also been an array of other factors such as civil wars and the HIV/AIDS pandemic, the breadth and depth of the decline points to the general failure of the World Bank/IMF strategy. Moreover, the continual changing

[34] By neo-classical economics I mean a reliance on methodological individualism, homo-economicus, equilibrium as a natural state, rational deductivity and a reliance on axiomatic reasoning. These are explored in Stein and Nissanke, 1999.

subset of IFI "success" cases in the 1980s and 1990s, in itself, shows an inability to demonstrate any clear linkage between policy changes and economic improvements.[35]

As we saw above SSA's GNP per capita has fallen dramatically since 1980. Its share of global merchandise exports has also declined from around 4.5% in 1980 to around 1.4% in 2001. In 1998, merchandise trade was actually 13% below the 1980 level in nominal not real dollar terms. There has been virtually no structural transformation of trade. In 2000 8.3% of sub-Saharan African exports (excluding South Africa) were in manufactured goods, around the same as the 1983 level as most countries continued to rely on a handful of resource and cash crop exports. The result has been a disastrous decline in the terms of trade which fell by 50% between 1980 and 1998. The relative decline in the terms of trade in Africa is directly related to the shifts in global production. The emphasis on static comparative advantage in adjustment strategies with a focus on raw material and primary product exports is very problematic in an era which knowledge becomes a larger proportion of the value added of commodities.

The share of developing country FDI going to Africa has also fallen from 7.6% in the 82-87 period to a mere 2.7% in 2000. Even this overstates FDI flows to most of SSA. The story of most FDI in the adjustment era is inflows to support oil production. During the 1982 to 87 period 49 per cent of the total excluding South Africa went to the two major oil producers Angola and Nigeria. By 1999 the figure had risen to 54 per cent and was still greater than 50 per cent in 2000 (Stein, 2003). Despite these dismal results, the Bank and Fund continue to adhere to the same recipe although the cover of the "cookbook" has been changed and the few additional pages have been added.[36]

Poverty reduction, ownership, stakeholder participation and budget support (donor funds going directly into the government budget) have become a part of the new agenda since 1999 for both the Fund and Bank[37]. At the heart of this are the new PRSP documents (Poverty Reduction Strategy Papers) which have become prerequisites for debt relief under HIPC. In Tanzania, a country that has been a leader in new aid modalities, there was strong evidence of the continued overriding centrality of the typical orthodox policies. Tanzania's PRGF targets (which predated the PRSP) like inflation rates and foreign exchange liberalization were found in the Poverty Reduction Strategy Papers and the Poverty Assessment Framework specifying the goals of the Poverty Reduction Budget Support(PRBS). Beyond a few hours on a Saturday morning there was no

[35]There are many examples of this which cannot simply be explained by radical changes in policy. For example, countries considered to be implementing the "correct" policies can change in Bank studies from one year to the next. In the 1994 Bank study, Kenya is placed in the "deterioration in producer prices" and the "small decrease in overall taxation" and is shown to have a moderate decline in agricultural growth rates between 81 and 86 and 87 to 91(World Bank, 1994b, p.244-5). However a year or so later in the "Continent in Transition", Kenya is all of a sudden "doing well on policy" in agriculture. The new study emphasizes average growth rates between 81 and 87 and 88 to 92 (both were positive in Kenya)(World Bank, 1995, p.27). The ever switching categorization of countries in World Bank studies would be humorous if it wasn't so self-serving and mendacious in character.

[36] There is little doubt that developments in the Bank in the 90s to some extent reflected changing US priorities and competition between elements of the executive and legislative branches of governments along with a growing influence of NGOs. See for example Wade (2002).

[37] See Cramer, Stein and Weeks (2003) and Weeks et al. (2003) for a more detailed discussion of these.

parliamentary participation in the PRSP. There were 804 people of a population of 30 million consulted in zonal workshops over a two day period and no evidence of any changes to the PRSP as a result.

Meanwhile the Fund and Bank rejected two Ministry of Finance drafts before accepting the third. The report also reflected the IMF official line that macro-stabilization reduces poverty. The PRSP states: "the poverty reduction strategy is to a large extent an integral part of ongoing macroeconomic and structural reforms…Some of these reforms, including those being supported under the PRGF and PSAC-1 are expected to have a significant impact on the welfare of the poor" (Government of Tanzania, 2001, p. 17). .

Moreover, much of the new agenda is still replete with the same problematic neo-classical microfoundations. For example, the view of governance in both the Bank and Fund utilize the same public choice theorems popular among neo-classical economists. The Fund is quite explicit in this when it states that governance is aiming "to eliminate the opportunity for rent-seeking, corruption and fraudulent activity in the management of public resources" (IMF, 2001, p.5). The aim is to support standard stabilization policies: "The Fund's involvement with governance derives from its mandate to promote macroeconomic stability and sustained non-inflationary growth…"(IMF, 2001, p.8). Governance does not displace any conditions but adds a new layer of compliance on already overburdened African states. The number of IMF loan conditions has simply increased over time from an average of 6 in the 70s to 10 in the 80s to 26 in the 90s (Santiso, 2002, p.21).

For the Bank, the state retrenchment of the 80s, was also driven by a public choice vision (the minimalist state) and was a disaster.[38] Between 1981 and 1990, 20 sub-Saharan countries undertook World Bank sponsored retrenchment reforms (Das, 1998). If state retraction would not work, then mechanisms were needed to contain state activities to minimize their distortion of prices which encourage rent-seeking and inefficiency. The aim is now state neutrality in line with the original adjustment view that states were the major source of the poor performance of African countries. Governance and a series of related projects are aimed at ensuring that the state is kept in check to focus on its main neo-classically defined role as the guarantors of private property rights and the money supply (Stein and Nissanke, 1999)[39].

One of the axioms of neo-classical economics is that states need to impartially guarantee property rights with a properly operating judicial system. This vision of a capitalist economy arises from the neo-classical economic view that markets are exchanges between self-seeking individuals which ipso facto involve the exchange of property rights. Law and development was an important part of the USAID agenda in the 1960s. It was largely deemed to be a failure for a variety of reasons including the exclusion of

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[38] In a 1993 speech, Edward Jaycox, the former v.p. for Africa, admitted that the state retraction strategy simply "ha[d]n't worked". Money had not been saved and laid off labour had not stimulated economic growth instead increasing social dislocations and unemployment. (Jaycox 1993, p.26).

[39] One must now add the additional responsibility of reallocating funds from debt servicing (as a result of HIPC) to education and health spending.

informal legal mechanisms and attempts to simply transplant American legal approaches. The Bank in the 90s rediscovered the "rule of law" as part of their battle to improve governance and combat corruption. Legal reform and legal capacity building was seen as a mechanism to hold the political and executive branches of government accountable. In 2001 there were 17 freestanding projects in legal reform with 13 pending. Legal assistance from the Bank covered 45 areas in 80 countries (Drake et al., 2003, pp9-11).

For the World Bank the rule of law is part of the "three Es" to improve governance so that "Africa can Claim the 21st Century":

> "**E**mpower Citizens to hold governments accountable through participation and decentralization"; "**E**nable governments to respond to new demands by building capacity" and "**E**nforce compliance with the rule of law and greater transparency" (World Bank, 2000, p.24).

After five decades of the Bank and Fund in Africa the only letter that should be discussed is **F** for the failed agenda of the Bretton Woods Institutions.

Conclusions

While the IMF for most of its history focused on a single approach to policy, the World Bank has gone through a variety of policy changes since its inception often reflecting shifting development fashions and changing US interests and priorities. Overtime, the US has maintained its hegemonic influence on the Bank through a number of mechanisms including the voting structure and threatening or withholding funds from IDA or capital replenishments of the IBRD. US based NGOs have been able to influence some of the World Bank agenda due to the role that Congress has played in allocating funds every three years for the IDA. This has been strongest in the area of environmental policy.

As economists' domination of key positions in the Bank has grown, policy has increasingly reflected the narrowing of the economics profession in the US to a core set of neo-classical economic principles. This has coincided with the US neo-liberal agenda aimed at removing the barriers to trade, FDI and portfolio flows in the past two decades. More than any other region, Africa has been forced to feel the full effect of neo-liberalism due to its increasing dependence on bilateral and multilateral aid and paucity of alternative sources of capital. The World Bank, in cooperation with the Fund, successfully organized bilateral donors to support the new agenda in Africa.

After 1980, the two agencies staked their reputation on the success of the structural adjustment. However, due to its narrow theoretical roots, the approach was doomed from the start. Despite the introduction of new terminology and peripheral strategies in the 90s, the vision of development is still captured by the same core principles and policies which have failed in the last two decades. The crisis of Africa reflects the crisis of an agenda that has been captured by strategies and routines that have little to do with the exigencies of African development.

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