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NO CREDIT DUE:

The World Bank and IMF in Africa

Omano Edigheji and Adekunle Amuwo

November 2008

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Acronyms and abbreviations

ACP	African, Caribbean and Pacific
AU	African Union
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
GNU	Government of National Unity
IBRD	International Bank for Reconstruction and Development
ICB	international competitive bidding
IDA	International Development Agency
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
MDG	Millennium Development Goal
NEPAD	New Partnership for Africa's Development
NGO	non-government organisation
ODA	overseas development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PFP	Policy Framework Papers
RDP	Reconstruction and Development Programme
SAL	Structural Adjustment Loan
SECAL	Sectoral Adjustment Loan
TNC	transnational corporation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WB	World Bank
WHO	World Health Organisation
WTO	World Trade Organisation

Capitalism is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous, and it doesn't deliver the goods. In short, we dislike it and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed –
Lord John Maynard Keynes (cited in Bendana 2008: 30)

Society's destiny does not depend exclusively on the logic of the market and its invisible hand –
Jacques Delors, then president of the European Commission (cited in Adeniji 2005:60)

1. Introduction

This paper seeks to explain the policy-based lending programme of the World Bank (WB), and the significance of its engagement with developing economies. It is divided into two parts. The first deals with the history and economics of international development policy vis-à-vis developing economies. It starts by explaining the WB's origins and objectives, and then addresses the origins, objectives, and outcomes of its initial project-based lending programme. We argue that the WB's earlier poverty alleviation project failed to achieve its stated objectives, and worsened rather than resolved problems in third world countries in which these projects were undertaken.

We also interrogate the events and conditions that led to a shift by the WB from project-based lending to policy-based lending, as well as the modalities of this shift. We argue that, through policy-based lending, the WB effectively controls the economies of borrowing countries, leaving them very little room to formulate and implement autonomous economic policies. The WB's conditionalities, sometimes combined with that of the International Monetary Fund (IMF), have compounded the economic crises in numerous third world countries, with Africa the worst affected.

In the second section we analyse the political economy of the intervention of the WB and IMF in the third world in general and Africa in particular. We show that the WB's primary goal is to protect globalised capitalism and the geo-strategic, economic, and sociopolitical interests of the triad (the United States, European Union, and Japan), the G7 plus Russia, and the transnational corporations (TNCs) which drive globalised capital. This has been done, we argue, through market dogma, free trade, and aid. The current globalisation policies of the WB and IMF have been used to benefit capital and reinforce western (principally American) hegemony.

The main consequence of aid-driven international development policy has been debt peonage and the annual transfer of massive amounts of capital from the Global South to the Global North under the pretext of debt (re)payment. We canvass the view that this is done in a subtle manner by conflating the interests of western capital and capitalist governments (globalism) with those of the natural consequence of global development (globalisation), which putatively benefits all humanity.

Our concluding statement is a clarion call, following Bendana (2008:29), for a politi-

cal approach to economics. We argue, *inter alia*, that a combination of pro-growth policies, institutions that can make effective and people-friendly policies, and a legitimate state anchored on a genuine social contract with the citizenry would place African countries on the road to economic recovery. It would also give them more room to engage, from a position of strength, with the WB and IMF.

2. The history of international development policy

2.1 The origins and objectives of the World Bank

Attended by 44 countries, the Bretton Woods conference of July 1944 gave birth to two multilateral agencies: the International Bank for Reconstruction and Development (IBRD), now known as the World Bank, and the IMF. The Bank's initial role was to aid the reconstruction of Western Europe, ravaged by World War Two, and extend long-term loans at commercial rates to developing nations to finance their infrastructural development (Wood 1986:22; Payer 1982:20; Padayachee 1991a:6; Canak 1989:14; IAA1987:7). Accordingly, its first four programme loans went to France, Netherlands, Denmark, and Luxembourg, and its first project loans to Chile, Brazil and Mexico (Payer 1982:23, Padayachee 1991a:6).

Unlike the IMF, which was designed to provide short-term balance of payments relief, the IBRD's brief was to provide long-term multilateral development aid, disbursed on a commercial basis, for private investment and productive endeavour. These loans were project-specific (Padayachee 1991a:6; Payer 1982:22), and some were, and continue to be, sourced in the capital market. The planners of the WB and IMF were haunted by the depression of the 1930s and the consequent breakdown of international trade and investment. As Robert W. Oliver puts it:

Their major objective was to provide a world within which competitive market forces would operate freely, unhampered by government interference, for they supposed that market forces would produce optimum results for the entire world (cited in Payer 1982:22).

The WB had a capitalist agenda right from the outset, and has put its leverage to good use by becoming, with the IMF, the leading institution for coordinating capital within a system of sovereign states (Canak 1989:13). Its activities and policy direction have been dominated by the great powers – the capitalist industrialised countries in general, and the United States in particular. Not surprisingly, the WB's general philosophy accords with the capitalist, neo-liberal, and market-oriented ideology of the United States and other western governments. Put differently, this philosophy is based on the ideology of neo-liberalism and its principal objective and thrust is economic growth. The latter is largely meant to be attained via export expansion and diversification. Other ingredients of this approach include monetary and fiscal restraint, free markets, a sound currency,

external economic equilibrium, and – perhaps most importantly – a favourable investment climate (Padayachee 1991a:7).

The WB has 152 member countries, ‘classified according to various criteria, in order (among other reasons) to provide guidelines for its lending policies’ (ibid: 6). It should be noted that the WB consists of several institutions, namely the Bank itself (also referred to as the IBRD), the International Finance Corporation (IFC), and the International Development Agency (IDA).

The IFC was set up in 1956 as a separate agency within the Bank, with its own staff. It promotes private sector development, and assists TNCs that invest in developing economies. The IFC has the capacity to make equity and loans investment without receiving government guarantees. Its loans, usually made on commercial terms, mature within five to seven years. It currently funds about 10 per cent of the WB’s group lending (ibid: 7).

The IDA was set up in 1960. Countries have to be members of the WB to be members of the IDA. The latter is regarded as the ‘soft loan window’ of the WB. It provides interest-free loans, under government guarantee, to its poorest members, mostly third world countries. However, the IDA levies a service charge of 0,75 per cent for its loans, which usually mature over 10 and 50 years. Its funds are entirely derived from grants by capital-exporting countries, with a small proportion derived from the IBRD out of retained profits (Payer 1982:33; Padayachee 1991a:7).

2.2 Project-based lending and its underlying philosophy

A discussion of project-based lending, its philosophy and problems will help us to understand the circumstances and events that led to the introduction of policy-based lending in the 1980s.

Except for its first four loans, the WB was only involved in project lending until the 1980s when policy-based lending (the subject of this paper) was introduced. In its early years, the WB tended to equate growth with development. In the 1950s, for instance, typical project-type loans were extended for infrastructure development (roads, railroads, electricity, ports, and so on). Next, it focused on agricultural development. For example, between 1961 and 1965 some 75,6 per cent of all WB lending was for electricity and transport.

After 1973, under the presidency of Robert MacNamara (1968–1981), it shifted its emphasis to poverty alleviation project loans. During MacNamara’s tenure, the WB expanded its lending, and the types of projects it financed. It began to finance projects in local currencies. Loans were also granted for education, health, and upgrading urban areas. It also began to extend loans to individual farmers for on-farm investment. Until then it had restricted its loans in the agricultural sector to infrastructural development. As a result, the WB would later claim that its loans had benefited poor farmers. It also disbursed loans for poverty alleviation (Payer 1982:24-25; Canak 1989:15; Padayachee 1991a:7).

What lay behind this shift in, and expansion of, project-based lending? In the mid-1970s, the WB's vice-president for development commissioned an evaluation of its development efforts during the previous 25 years. The findings of the commission, headed by David Morawetz, had a profound effect on the Bank's subsequent thinking and activities. The commission noted that although economies throughout the world had grown rapidly, the benefits were far from being equally distributed, and that one billion people were still trapped in poverty. It attributed this to economic stagnation and low productivity (Morawetz, cited in Mosley et al 1991). The WB adopted this view.

Subsequently, its actions have been required to address the problems of increasing global poverty and skewed income distribution. The WB became convinced of the need for continued international aid and trade reforms. To achieve these objectives, it had to become more active in the development field, not only in respect of the types of projects financed but also their size. MacNamara championed these concerns, in the belief that the industrialised countries had a responsibility to address global poverty. As a result, in the interest of poverty alleviation, the WB began to argue against protectionist policies and other policies of industrialised countries deemed to be detrimental to global welfare (Mosley, et al 1991:22–23).

However, the Morawetz study reinforced the WB's misconception that the debt problem was over-emphasised. It believed that the growth in private commercial lending to developing countries did not make a debt crisis inevitable, and could be staved off by appropriate corrective measures. Just like the private banks and the borrowing governments, the WB did not foresee the impending debt crisis and its implications for the world economy. The second oil price shock in 1979–80 would change its view, however. The WB became concerned with the ability of the international financial system to recycle enough funds and maintain import levels and economic growth rates (World Bank 1980:3, cited in Mosley et al 1991; Seddon 1994).

The WB was also influenced by the deflationary measures adopted by the conservative governments that came to power in key industrialised countries. At the same time, it wrongly believed that the real price of energy would rise further throughout the 1980s. There were also other factors that contributed to the WB's changed stance and its increasing involvement with third world countries. These, according to Padayachee (1991a:7), included

the growth of ... international Keynesianism (the view that development in the third world is in the best interest of the industrialised countries); the Cold War (the view that financial assistance to developing countries would act as a check to the spread of Communism); and the growing articulation of the developing countries themselves for international coordinated assistance (cf. Wood 1986:40–41).

In 1980, the WB began to realise that the global economy had changed permanently, and adopted measures to respond to the new challenges. Against this background, it

concluded that structural adjustments were needed to revamp the economies of developing countries. It also decided that such structural adjustments should be supported by external financing, and that economic stability would be pursued by means of economic growth. As a result, the WB adopted the new policy objective of structural adjustment with growth (Mosley et al 1991:23). Against this background, the WB shifted from project-based lending to policy-based lending.

3. Problems surrounding project-based lending

Before discussing the WB's more recent approach of policy-based lending, we need to highlight the problems associated with its previous approach of project-based lending. We will first analyse its poverty alleviation concerns, and then the broader problems inherent in project-based lending.

3.1 Critique of poverty alleviation projects

While it can be argued that the Bank's poverty alleviation projects were partly successful, it would be difficult to contend that they significantly alleviated poverty. Some of the projects benefited people in the third world, but this was only a privileged few and not the poor, let alone the poorest of the poor (Payer 1982:20). Furthermore, these projects were too small to have more than a negligible impact either on the productivity of the poor or on the amount of productive employment available to them (Mosley et al 1991:33).

The WB's emphasis on foreign investment made poverty alleviation very unlikely. As Payer (1982:20) puts it,

to the extent that greater advantage for foreign investment is incompatible with the alleviation of poverty and satisfaction of human needs ... *poverty in the sector and society is likely to increase rather than being alleviated as a result of the Bank's intervention* (our emphasis; also see Bornschier and Chase-Dunn, quoted in Canak 1989:15).

Some of these projects proved to be detrimental to the poor because of what Payer refers to as the intrinsic nature of the societies in which they were situated. In her view, some of those societies were so corrupt, unequal and unjust that it was impossible to run successful and beneficial poverty alleviation projects without externally imposed conditions (Payer, 1982:23).

Perhaps more importantly, the people whom the projects were meant to benefit were not involved in any stage of the project cycle – identification, preparation, appraisal, negotiation, implementation, and evaluation. These were carried out solely by the Bank and the governments of the countries concerned (ibid:72–85). As a result, some of those

projects may not have been what their citizens wanted – even though it can be argued that the governments of the countries in question could not but have articulated and represented the interests of their citizens some of the time. However, if Payer's arguments are valid, it can be contended that the government officials who participated in those projects did so essentially to advance their own interests as well as the interests of the ruling elite at the expense of the mass of the people.

3.2 Broader problems of project-based lending

The WB's project mode also seemed to reflect the dominance of professional engineers in its early years. In that period, it tended to equate development with infrastructural development. However, the shift to policy-based lending reflected the emergence of economists as dominant voices within the Bank. Economists were very critical of the project mode and its associated fungibility problem, and put up several arguments against it. First, they argued that the WB might be funding projects that recipient governments would have funded in any case, and that its funding allowed them to divert funds to other projects, thus creating a false sense of progress. Second, WB's economists criticised the adverse economic environments in which some of these projects were undertaken, as well as the failure of recipient countries to create the environment needed for these projects to succeed. Furthermore, they argued that the inability of the countries in question to formulate appropriate policies to meet rapidly changing external conditions had negative consequences for the projects concerned. Under these circumstances, it became more difficult to identify and evaluate projects.

WB economists were equally worried that if a given government's macroeconomic policies were in disarray, the matching funds (meant to finance initial civil engineering and construction works and the recurrent expenditure arising from the operation of the new facility in question) which borrowing countries were meant to contribute would dry up. If this happened, many projects would be halted mid-way, and others would fail, due to a failure to maintain existing facilities. This often happened in African countries in the late 1970s and early 1980s.

In these circumstances, these economists thought it made little sense to continue with project-type lending. In order to ensure the completion of projects, the WB called on recipient governments to introduce budget and other economic reforms. It also believed that programme aid would strengthen government budgets by providing foreign exchange which could be sold to importers in exchange for local currency. In 1997, general economic performance, first introduced in the early 1960s, became a formal criterion for receiving WB loans (Mosley et al 1991:29–31).

Despite linking loans to improved economic performance, the project mode did not remain a viable means for transferring WB aid. This was because it wanted to respond more quickly to external shocks that had thrown most developing countries off their charted path. The length of project cycles – up to five years in some cases – became one

of the most worrisome issues, as financial disbursement under the project mode was too slow to respond to balance of payments problems. Some WB officials also believed that the conditions attached to project loans did not touch the real levers of economic control – exchange rates, interest rates, trade regimes, and prices of agricultural goods – central to the success of developmental projects and the relief of underdevelopment in general (Mosley et al 1991:31–32, 65).

3.4 The international context for the introduction of policy-based lending¹

We now turn to the international economic context in which the WB shifted from project-based lending to policy-based lending. From 1965 to 1986 economic growth slowed down globally, except for China and South Asia especially in the 1980s. However, the economies of some developing countries grew faster than those of their developed counterparts. At the same time, the differentials in the growth of developing economies increased, with growth in sub-Saharan Africa in particular contracting in the early 1980s. But higher rates of economic growth in some countries were immediately negated by faster population growth rates. As a result, the gulf between real income per capita in developed and developing countries did not diminish.

The slow growth of the global economy can be attributed to two factors – the oil price shocks of 1973 and 1979–80, and the consequent debt crisis of 1982. These events were caused by the expansion of aggregate demand by industrialised countries. This provoked strong inflationary pressures in the industrialised world. The result was a boom for non-oil primary commodities in 1972–4. The Organisation of Petroleum Exporting Countries (OPEC) took advantage of this situation to increase the price of petroleum by more than 400 per cent. This impacted negatively on industrialised countries, since it reduced the real growth of their output, while inflationary conditions persisted. This situation was further compounded by the tripling of the oil price in 1979–80, which pushed the economies of the developed world towards recession. Furthermore, the emergence of conservative governments in the rich countries, which were determined to squeeze inflation out of the world system at any price through unemployment, amongst other factors, reinforced the already strong recessionary tendencies. The slump in industrialised countries persisted until the oil price finally retreated to a realistic level in 1986 (Canak 1989:17).

According to Mosley et al (1991:6), the debt crisis which erupted in 1982 was a ‘direct consequence of the decision by Organisation for Economic Co-operation and Development (OECD) governments to leave the intermediation of the large OPEC balance of payments surpluses, caused by the oil price rises, to the private banking system’. The recycling of these surpluses was believed to be a profitable form of lending. This belief stemmed from the fact that borrowers were third world countries that had never defaulted on debts. However, none of these loans had been serviced in line with their agreed terms, and many had to be written off or were heavily discounted. Simi-

larly, borrowing governments wrongly believed that they were gaining access to cheap money, which would help them to bridge growing balance of payments problems and would not cause them serious repayment problems. As a result, many spent the loan funds without establishing whether those investments would create a surplus and whether such a surplus could be turned into foreign exchange to help service their debts.

The rise in real interest rates, beginning in 1980, brought these miscalculations to the fore. This coincided with the advent of conservative governments in the leading industrialised countries: the United Kingdom, Germany, and the United States. These governments believed that inflation could be reduced by controlling money supply. This, of course, pushed up real interest rates. Unfortunately, it coincided with the effect of the second oil price shock in 1979, which undermined demand and economic activity.

The economic crisis of the 1980s spread through the third world in various ways. Developing countries that had borrowed recycled petrodollars had done so at variable interest rates, when nominal interests were low relative to inflation. This borrowing was cheap in real terms in the 1970s because real interest rates were negative, so borrowers were being paid to borrow rather than having to pay for borrowing. But the combination of rising interest rates and a decreasing rate of inflation created an alarming increase in the real cost of borrowing. As a result, third world debtor nations were obliged to repay loans, or interest on loans, but could not do so. Many developing countries became heavily indebted in this period.

The inability of third world countries to meet their financial obligations was occasioned by the falling price of exports. This, combined with higher interest rates on loans, exerted acute pressure on their balance of payments. To overcome this situation, they had two options: either to finance their balance of payment deficits, or adjust their economies to balance demand for foreign exchange with decreased supply.

What were the sources of external finance? Prior to this crisis – that is, before 1973 – third world countries depended on aid from bilateral and multilateral donors such as the WB and IMF to finance their balance of payments deficits. From 1973 to the early 1980s, when the crisis broke out, the principal source of external finance was non-concessional loans, largely petrodollars on-lent by private commercial banks. However, once the debt crisis erupted, this source of funding dried up – the vacuum created by the withdrawal of commercial bank loans could not be filled by lending industrialised countries, which had started to reduce foreign aid as part of fiscal discipline. As a result, the expansion of aid from other industrialised countries such as Japan and Italy was necessary merely to keep the aggregate flow roughly constant. According to Mosley et al (1991: 9),

in the 1980s, then, the global economic context placed a premium on finding ways of bringing down developing countries deficits to the level that could be financed by the stagnant aid flows plus rapidly dwindling private commercial lending. In essence, that is what structural adjustment of developing countries is intended to do.

Another major event that influenced the shift to policy-based lending was the emergence of the ideology of neo-liberalism. This became very popular among economists, journalists, and politicians. A major canon of neo-liberalism is its opposition to state intervention in the economy almost as an article of faith. According to Mosley et al, economic liberalisation

implies the roll-back of the state, both in terms of its ownership of industries, financial institutions and the marketing agencies and of its regulatory activities in trade, industry, agriculture credit and foreign investment. The economic arguments centre on the failure of the state to create the right system of incentives for an efficiently operating economy. This is sometimes expressed as the state's preference for macro-economic policy instruments which are exercised at the expense of microeconomic rationality. The corrective measures are then privatisation and extensive deregulation, recommended in the belief that freely operating markets will conduce to the more efficient use of scarce resources of the poor (ibid:11).

Proponents of this approach also mistakenly believed that liberalisation would lead to a more equitable distribution of income and wealth. This provided the economic and intellectual context for the introduction of policy-based lending by the WB.

4.1 The origins and objectives of policy-based lending

Policy-based lending – in the form of Structural Adjustment Loans (SALs) – can be defined as a combination of programme lending with broader economic policy reforms. Under this approach, the Bank provides development finance that is not tied to specific items, but supports a balance of payments deficit in general. This is aimed at facilitating imports, and increasing economic growth and development. SALs also involve a combination of programme loans linked to policy conditionality that are sectoral or sub-sectoral in nature. Later, this was broadened to include national macroeconomic policy as a whole (Mosley, et. al, 1991:27).

Policy-based lending involves a major movement from financing individual projects to programme and sector lending, with its insistence on a wide range of macroeconomic policy reforms as a precondition for lending (Goldin 1992: 10). Thus, unlike project lending, in which loans are extended for specific projects, programme aid in the form of SALs involves the ‘... injection of money designed to underpin programmes of policy and institutional reform by governments of developing countries’ (Harrigan & Mosley 1991:63). It should be noted, however, that prior to the introduction of SALs the Bank had never extended unconditional loans. All its project loans were conditional, but these related only to the project being funded (Mosley et al 1991:27; Padayachee 1991a:8).

Furthermore, before the Bank formally adopted SALs as lending instruments, these kinds of loans had been tried in India between 1963 and 1964. The India Consortium

had granted non-project loans to India to support its balance of payments. Beginning with the Bank's Bell mission to India, it had advised the Indian government to liberalise its trade and industrial regime, devalue the rupee, and change its industrial strategy. These measures were only partially successful. Indians were very critical of these policy options, which they saw as imposed by foreigners. The WB was very disappointed by its Indian experience, and decided to abandon the programme. However, programme lending continued through the 1970s, and was extended to Pakistan and Bangladesh.

The revival of programme lending combined with policy change in the early 1970s was a consequence of, and a reaction to, the oil price shock of 1973, which worsened the balance of payment deficits of several East African countries. Consequently, between 1973 and 1975, some of these countries – notably Zambia, Kenya and Tanzania – received programme loans linked to policy conditionalities, including changes in agricultural marketing and pricing (Mosley et al 1991:32). Despite this, throughout the 1970s the WB had hoped that these would be temporary measures. The second oil price shock of 1979-80 combined with other factors – including the emergence of conservative governments in Europe and the United States, and pressures within the WB to reassess its role and efficacy – strengthened the move towards SALs. The move within the WB for the second revival of conditional programme lending was led by MacNamara, its president, and a group of senior officials.

Several factors accounted for the internal pressures within the WB for the revival of SALs in the 1980s. The first was the Indian experience. Ernest Stern, the Bank's vice-president, who spearheaded the introduction of SALs, had worked on South Asia for USAID before joining the Bank in 1973. Similarly, Stanley Please, Stern's adviser on SALs between 1980 and 1984, started his career in the Bank as the fiscal economist on the Bell mission (Mosley et al 1991:29). While, as noted earlier, the Indian experience was partly successful, it must have taught those two economists that trade liberalisation was perhaps a sound and necessary policy for development. By the same token, these figures must have concluded that the power of the WB to grant or withdraw aid was a key means of inducing governments to liberalise their economies.

Second, MacNamara, who was approaching the end of his tenure, began to doubt poverty alleviation as a policy objective. His changing views, coupled with the critical assessment of the poverty alleviation project type by some staff, made the shift inevitable. One staff member, Mahbab ul Haq, wrote a paper in which he recommended a new strategy of long-term programme lending. It appears that MacNamara was influenced by this recommendation. Furthermore, WB staff became increasingly disenchanted with poverty impact lending, and more concerned with how to get borrowing countries to create environments conducive for economic growth. They were particularly frustrated by the nature of their dialogue with borrowing countries. By the late 1970s, it had become obvious to them that sub-Saharan Africa was in danger of having neither projects (as aid was drying up) nor acceptable economic strategies that could be

financed. This called for the adoption of a quick and successful means of dialogue. To achieve this- and for aid to continue at the usual rate- it was decided to urgently implement a new form of development strategy (Mosley et al 1991:33–34).

As a result, in April 1979, during the United Nations Conference on Trade and Development (UNCTAD) meeting in Manila, MacNamara announced that the WB would henceforth provide long-term programme assistance to countries ready to embrace economic policies which the Bank regarded as necessary for development. The first operational move was the conversion of some sector lending to new programme lending on a conditional basis. However, Bank staff still felt this was not enough to procure the policy changes required in developing countries. They were of the opinion that the Bank needed to introduce conditionalities that would impact on the economies of recipient countries as a whole. This became the central feature of SALs, approved by the WB's executive board after submissions by its management in the early 1980s (Mosley et al 1991:34). The objectives of policy-based lending are:

... to provide quick-disbursing finance to support measures designed to strengthen recipient countries' balance of payments without severely constraining demand in the manner that unnecessarily sets back economic aid and social development (Landel-Mills, cited in *ibid*)

... (to) assist countries ... prepared to undertake a programme of adjustment to meet an existing, or to avoid an impending, balance of payments crisis (World Bank 1988:22)

... to facilitate the adjustment required to achieve sustainable growth and the mobilisation of external financing needed to support a country's adjustment efforts (Micalopoulos 1987, cited in Mosley et al 1991)

Some member countries were sceptical about this development. Board members were concerned about two issues, namely, the link between programme aid and policy conditionalities; and the implications of the WB's new approach for its links with the IMF. However, this is how the WB's policy-based lending came into being, and since its introduction the Bank has not looked back. Indeed, via this approach, it has consolidated its position in the international capital market, and has strongly influenced the global economy, particularly in respect of the third world.

4.2 How the WB dictates policy to borrowing countries

Through its policy-based lending, the WB dictates key policies to borrowing countries. The loans and the conditionalities attached to them have refocused the national economic priorities and development strategies of borrowing countries.

As noted earlier, a major reason for the introduction of policy-based lending was the need to address the balance of payment deficits of developing countries. This was

occasioned by, among other factors, the two oil shocks, the fall in commodity price, the world economic depression, the rise of conservative governments in Europe and the United States, and the subsequent introduction of deflationary economic policy. In other words, policy-based lending was introduced at a time when most developing countries were experiencing a debt crisis. Worried about how to recover their money and ensure economic growth, donor agencies – multilateral, bilateral, and private – decided to intervene. The policy option adopted by the WB was policy-based lending. Interestingly, the many conditions attached to the latter (including devaluation, reduced public spending; elimination of public subsidies; wage restraint; increased interest rates and taxes related to demand curbs; elimination of state-owned or supported enterprises and greater access for foreign investment; reform/protection of local industries; export promotion and application of foreign exchange to debt services, etc) have invariably become the same conditions attached to loans. The general thrust of these conditions (or conditionalities) has been to promote open and market-oriented economies.

Again, as noted earlier, policy-based lending was introduced at a time when commercial bank loans to debtor countries had dried up. As a result, the WB's policy conditionalities have enabled it to exert leverage over key policies of borrowing countries. According to Goldin (1992:15), 'the increased emphasis on policy conditionality has occurred at a time when commercial lending to developing countries had dried up, so that *the World Bank's influence on the policy environment, in borrowing countries, has grown to the extent that it was easily the most powerful policy actor ...*' (our emphasis).

This leverage is manifested in several ways. The first is the intellectual hegemony of the WB. This is derived from its close working relationship with United Nations agencies such as the World Health Organisation (WHO); Food and Agriculture Organisation (FAO); United Nations Educational, Scientific and Cultural Organisation (UNESCO); and the United Nations Development Programme (UNDP). Staffers of these agencies are involved in the WB's programmes, and prepare programmes for Bank funding. However, these experts have no influence over the Bank's lending policies. As a result, the Bank's ideas tend to dominate its relationship with these agencies, and it also has the most money to spend (Payer 1982:16–17).

Similarly, over the years, the WB has developed a huge bank of information that surpasses those of individual countries or organisations. This places it in an advantageous position in negotiations with borrowing countries. It is therefore not surprising that certain countries not only depend on this information, but readily accept the Bank's prescriptions and conditionalities, which are claimed to be the panacea for their economic problems. In 1984, for example, the Nigerian media reported that the country did not know how much it owed the WB and other donor agencies. As a result, the Nigerian government had to depend on the Bank to verify its debts. The WB capitalised on this unfortunate situation when negotiating with the then Nigerian military regime for new loans and rescheduling of old debts. Africa's most populous country is, regrettably, not the only example than can be cited within this context.

Second, the Bank's leverage over and subsequent prescription of key economic policies to borrowing countries are derived from its financial hegemony. This hegemony is derived from its influence over other aid agencies which co-finance programmes prepared and appraised by the Bank. For example, Payer (1982) observes that by the end of fiscal year 1980 the total amount of co-financing from all lenders was \$6,5 billion, more than 50 per cent of total lending by the WB group.

The WB also plays a vital role in the co-ordination of overall aid programmes to individual countries through its position as convener of almost all the existing aid consortia or consultative groups, such as the Paris and London clubs. In this regard, Payer (1982) calls the Bank 'the international organiser of creditors'. How does the WB use its intellectual and financial hegemony to dictate key policies to borrowing countries?

First, as earlier remarked, borrowing countries are expected to contribute matching funds to the Bank's programmes, usually for infrastructure or operating expenses. This is a powerful way of compelling borrowing governments to spend their money for purposes determined by the Bank. Those governments may have wanted to spend the money on alternative programmes, but the Bank's conditionalities rule out such options. As a result, borrowing countries are often forced to spend money on programmes that undermine or circumscribe their national interests. However, the implementation of such programmes has not gone totally unchallenged. Numerous borrowing countries have experienced urban riots induced by economic SAPs, led mainly by university students, workers and the urban dispossessed. Their governments were undermined, and their legitimacy reduced or destroyed. In 1989, anti-SAP demonstrations shook Nigeria's Babangida regime to its core, whilst three years earlier, anti-SAP protests contributed to the collapse of the Jean-Claude Duvalier ('Baby Doc') regime in Haiti. It can be argued further that since the Bank's loans have to be repaid, a portion of the loan is money that belongs to borrowing governments. In a nutshell, it is correct to say that the Bank's loans and attached conditionalities determine how borrowing countries must spend their money and, by extension, dictate key economic policies.

Second, the WB also dictates policy choices on development to borrowing countries. The Bank espouses a free market approach. Through its loans and related conditionalities, it promotes the interests of private international capital and its expansion to developing countries. In the process, the ability of borrowing countries to adopt individual, independent or autonomous path to development is severely constrained. Through its conditionalities, the Bank has acted, from its own standpoint, to foster development and introduce orderly market processes in context of the global economy. Yet its policy prescriptions in developing countries have tended to limit the capacity of nationalist/progressive governments and social forces to formulate nationalist or people-centred development policy (Block 1977; Payer 1982; Pastor 1987; Wood 1986; Canak 1989:11).

Clearly, SALs constitute one of the instruments with which Western Europe and the United States force developing countries to follow an orthodox liberal path of development

(Mosley et al 1991:39). In recent years, the conditionalities of the Bank have included the requirement that borrowing countries adopt western-style multi-party democracy as well as prescriptions for 'good governance'. In other words, the WB and IMF have tended to delegitimise or criminalise socialist and social welfare paths of development. Yet, only these appear capable of humanising the majority in developing countries who are currently eking out a living at the periphery of the global economy. Conditionalities also commonly include cuts in public welfare spending; a prescription that the state cannot own the means of production and distribution, nationalise privately owned business, or, for that matter, protect local industries. There are also prohibition on minimum wage legislation and the fostering of trade unions (Payer 1982; Canak 1989).

International competitive bidding (ICB) as a means of allocating WB funds also constrains the choice of market(s) available to borrowing countries. It also opens them up to international capital. About 80 per cent of WB funds are allocated through ICB, and supervised by the Bank. Most of these bids are won by corporations in creditor countries. What this means is that through the ICB, the Bank opens the markets of borrowing countries that should ordinarily be serviced by local suppliers to so-called 'market forces' (Payer 1982:36).

The WB also uses its relationship with the IMF to dictate key policies to borrowing countries. The informal agreement between these two institutions ensures that SALs are only extended in situations in which the IMF's conditionality and stabilisation policy is already in place. The major elements of this policy include restrictions on monetary growth and public expenditure, devaluation, increase in taxes or public utility prices, and wage controls (Killick et al 1984; Mosley et al 1991:68). These elements combine to constrain the social and economic policies of borrowing countries. To reiterate an earlier point, the political capacity of national regimes to adopt independent socio-economic policy options is also seriously undermined. For example, protectionism is hardly a viable option for countries whose survival is tied to foreign debt refinancing. This is more evident in countries where orthodox market reform has been presented as a condition for access to the global credit market.

The growing use of cross-conditionality between the WB and IMF has tended to strengthen both organisations in their negotiations and other dealings with borrowing countries. For example, the IMF drafts Policy Framework Papers (PFPs) which simultaneously articulate its understanding of the economic problems of borrowing countries, and proffer solutions to them. The IMF then presents the PFP to the WB for its opinion. Once firmed up, the IMF and WB use these PFPs in negotiations with borrowing countries. In most cases, the problems and solutions contained in the PFPs dominate the relationship of these agencies with the borrowers. By extension, the WB not only imposes solutions on borrowers, but also forces them to view their problems from the perspectives of both institutions.

We have already alluded to the fact that the WB is the organiser of international capital. To ensure the success of its policy framework, the Bank has persuaded bilateral

and private donors to tie their funds to SALs and IMF conditionalities. In the face of increasing debts, borrowing countries are forced to adhere to WB policy. This is because their access to new loans and their ability to reschedule their debts (which must be financed through aid by multilateral, bilateral or private donors) depends on their being declared creditworthy by the Bank. As Gordhan (1991:11) notes, 'the World Bank ... determines the credit rating and acts as a signal to the banks on whether or not to lend to a particular country'. This situation forces borrowing countries to comply with the Bank's conditionalities, since this is really the only way in which they can access new loans and reschedule old debts. As Canak (1989:21) puts it:

Caught in the debt crisis, borrowing governments found themselves forced to accept a routinised process for debt rescheduling. They must present a plan for economic stabilisation that conforms to the conditionality and structural adjustment demanded by the IMF and the World Bank as a basis for the certification of creditworthiness.

In this context, note Mosley et al (1991:54–55),

the room for independent policy manoeuvre is more restricted, both in terms of the measures to be adopted and the sequencing of their adoption ... Once officials of the Bank and the IMF make up their minds, there is usually little material contribution from borrowing countries.

The techniques used to disburse SALs and Sectoral Adjustment Loans (SECALs) has further strengthened the Bank's position vis-à-vis borrowing countries. Loans are disbursed in tranches, and certain conditions have to be met before the first tranche is disbursed. The disbursement of subsequent tranches depends on a mid-term review of implementation of the loan programme and an evaluation of progress made towards agreed targets. The latter vary between ten and 20 per project. Adjustment lending typically comprise one to two years' loans disbursed over five to ten years. When countries fail to meet these targets and other conditions, no further tranches are paid out, and they cannot access new loans. As a result, the carrot of future loans ensures that Bank conditionalities are implemented, a phenomenon which serves to curtail the policy options open to borrowing countries (Goldin 1992:15). It is also not uncommon for the Bank to tie the size of loans to the extent of policy changes prescribed to borrowing countries. The larger the policy change required, the larger the loan.

Importantly, one of the WB's most important requirements is that loans be repaid. Expressed differently, the Bank ensures adherence to its programme through its power to advance or withhold new loans. When borrowing countries default on repayments, the Bank and other donors may refuse to advance new loans or reschedule older ones. Even when rescheduling debts the Bank ensures that its loans are prioritised. Payer (1982:46) cites a former WB president, A W Clausen, as stating that 'there are substantial pragmatic reasons why borrowers do not default on World Bank loans. In the event

of a default, no further disbursement would be made on that loan or any other loan we had outstanding in the country. And no new loans would be committed until the default had been cured'. Defaults also impact negatively on creditworthiness ratings by other donors. Countries do, however, default.

The key point is that the WB and IMF use the power to advance or withhold new loans to intimidate and manipulate borrowing countries into meeting their debt obligations in the form of paying interest or the principal. Furthermore, notes Canak (1989:22) 'conditionality also requires that surpluses generated by the balance-of-trade surpluses be used to satisfy multilateral and international creditors.' It is therefore self-evident that the WB determines the national priorities of borrowing countries. It is not uncommon to find debtor nations committing a large chunk of GDP to debt servicing and repayments, even though these funds could have been put to better use either to increase national productivity or to improve social services.

For example, in the face of mass poverty, hunger, unemployment, diseases, homelessness, illiteracy, and so on, the South African Government of National Unity (GNU) committed 18 per cent of its GDP in the 1995/6 budget to debt servicing (*Mercury Business Report*, 16 March 1995). To be sure, that money would have gone a long way towards building more houses; providing better, more accessible and more affordable medical care; improving education and social services. In the process, some of the goals of the Reconstruction and Development Programme (RDP) would have been achieved. The situation is worse in several other African countries where, for instance, foreign debt often amounts to more than three times the value of total exports (Simon 1995:25).

The pervasive influence of the WB on borrowing countries is amply and aptly summarised in the following statement by the Institute for African Alternatives (1987):

The ... Bank's claim that they do not force anything on any country is incorrect because an IMF agreement is a precondition for any external finance and because they sometimes pressurise countries to take additional loans- even when these countries say they do not need them, and when it is clear that they cannot service their existing debts.

Under structural adjustment, these agencies do not merely supervise individual sectors of the economy ... They now manage each country entirely. They have to approve annual budgets, foreign exchange budgets, post their representatives to the Central Bank, Ministries of Finance and Trade of independent countries, approve monetary, fiscal and tariff policies and give clearance certificates before countries can negotiate with other foreign lending agencies.

This discussion shows clearly that policy-based lending enables the WB to dictate key economic and financial policies to borrowing countries. It has been estimated that borrowing countries have met about half of the Bank's conditionalities. It has acknowledged that about 60 per cent of agreed conditions have been implemented during the loan

periods, and that in almost every case, the second installments have been disbursed even though the original conditions were not satisfied (World Bank 1988:15). What this shows is that, under certain conditions, borrowing countries can adopt independent policy option(s) in disregard of the Bank's prescriptions and dictates.

Mosley et al (1991:38–51) have identified two features of policy-based lending which prevent borrowing countries from meeting policy prescriptions. First, the policy changes required are often numerous and extreme, and loosely linked to the capacity of borrowing countries to repay the loan. Second, these conditions typically cannot be met in a short period of time and therefore often stretch over a number of years, which gives borrowers some room for manoeuvre. As a result, it is not easy to judge whether or not a given country has complied with a given prescription. This then becomes a subject of negotiation between the Bank and borrowing countries.

Under these circumstances, all the Bank can do is to ask borrowers to reaffirm their good intentions. Under project-based lending, all loan applications were closely scrutinised before being approved by the Bank's board. Policy-based lending lacks such approach and therefore gives borrowing countries some room to manoeuvre. Because the applications are so many, and country staff within the Bank want to meet their targets, shortcomings in applications are either glossed over or massaged by country staff in order to make the proposal(s) available for the next board meeting. Proposals are therefore rushed through. To a large extent, the Bank equates the success of programmes to their number. What this means, concretely, is that, at least in some instances, the Bank lends even in the face of non-compliance with its conditionalities. This is partly because, for good or for ill, the Bank's continued relevance depends on its ability to lend. Some smart countries (as well as unsuspecting ones) could exploit – and are exploiting – these loopholes.

Another factor that creates room for countries to adopt their own policies is the conflict that might arise as a result of the combination of the policies of the WB and the IMF. This creates confusion as well as administrative problems in borrowing countries which then have no choice but to opt for an independent approach. Should either the Bank or the Fund want to sanction such a country, the latter could decide to negotiate with both of them jointly. This could expose the conflicts inherent in the combination of their policies. However, the Bank and Fund may easily agree to negotiate with each other over the heads of borrowing countries.

Moreover, internal pressures within the Bank to lend irrespective of whether or not conditions are met tend to encourage borrowing countries to disregard the Bank's conditionalities, sometimes with impunity. These internal pressures have several sources. First, the Bank commits itself to lending a certain sum based, it claims, on the needs of borrowing countries. On this basis it not only invites additional subscriptions from its members, but also borrows from the capital market. Once the size of the planned loan is declared, there is some pressure to fulfill the aggregate lending plan. This is coupled with the Bank's need to maintain its status as a preferred creditor. Additionally, the

rapid expansion of the Bank from the 1970s onwards has internalised the pressure to meet its country targets- and staff appraisals and promotions depend on meeting country targets. In these circumstances, irresponsible lending abound, which borrowing countries could exploit to their advantage (Mosley et al 1991:46–47).

Political pressure to lend by major shareholders is another source of internal pressure which makes a mockery of the Bank's conditionalities. A case in point occurred in 1988 when, following pressure from the United States, the Bank lent \$1,25 billion to Argentina (which was, at that time, highly indebted to the Bank and United States commercial banks). This was despite its poor reputation for compliance with the Bank's conditionalities, and the absence of an IMF stabilisation programme. This kind of lending to support balance of payment deficits tends to erode the legitimacy of the Bank's conditionalities, though not to the point of mere window-dressing (Mosley et al 1991:48). This is because such loans ultimately satisfy and promote the Bank's political objectives.

5. The role of the World Bank and IMF in Africa

5.1 The interface between globalisation and globalism

In recent years, some scholars in both the Global North and Global South have tended to confuse globalism with globalisation, to the detriment of development discourse and development practice. Whilst globalisation is a natural consequence of global development, globalism, following Kly (1999), is 'the attempt to globalise an ideological cum socioeconomic system by attaching them to the natural demands and consequences of natural globalisation'. The result of this deliberate conflation by hegemonic forces and classes in the North has been that 'the negative, destructive, and unjust outcome of United States and Western globalising policies are popularly attributed to ... inevitable globalisation outcomes instead of to Western and United States policies of neocolonialism and imperialism'. Globalisation's dominant ideology is neoliberalism, and the only way to make it intelligible and legitimate in the eyes of the public- including globalisation's victims- is to engage in a discourse that makes globalisation 'credible, legitimate, benevolent and, above all, inevitable and irreversible' (Gelinias, 2003:98).

As earlier noted, the three major planks of neoliberalism are the deification of the market, free trade, and aid. The notion of the market is intrinsically tied to the thinking of Milton Friedman and Friedrich von Hayek, respectively, scions of the London and Chicago Schools of Economics, who saw it as 'the most perfect modern application of the concept of liberty'. Friedman took this philosophy to an extreme by arguing that the 'social responsibility of business is to increase its profits'. In the same vein, contemporary western disciples of David Ricardo, foster father of free trade ideology, believe with him that 'for the welfare of the nation as a whole, free trade is preferable to protectionism' (Gelinias 2003:104, 108–9). The only snag is that free market ideologues do

not practise what they preach. While western powers and the International Financial Institutions (IFIS) they control pressurise and manipulate developing countries into practising free trade, they themselves freely practise protectionism not only in respect of those countries but also among themselves. The most powerful are not bound by the rules of the game; they prosper by bullying the most vulnerable.

Contemporary globalisation has polarised the world, prompting veteran economist and activist Samir Amin to regard polarisation and imperialism as one and the same thing. For him, imperialism is a permanent feature of the global expansion of capital, which has 'always produced a polarisation of wealth and power in favour of the core countries' (2006:3).

As could be expected, the dominant development ideology in the context of globalisation has emerged from the foreign policy of the triad (the United States, European Union, and Japan). Free trade and the market are oiled by aid money, provided by the triad and other western powers to create overseas sites for their own capital accumulation.

To be sure, the objective is not stated in these terms. Rather, the publicly enunciated objective of 'overseas development assistance' (ODA) – another name for aid – is to help third world countries to develop, not by reinventing the wheel but by emulating the development trajectory of the capitalist North. But this is a tall order, to the extent that there is a dialectical relationship between capital accumulation in the core states and the marginalisation of developing countries. To continue to goad the latter along the path of at best dependent development is to deliberately ignore

the facts of a pre-existent global hierarchy and of differential market power ... which profoundly constrain the prospects of those who must now try to compete from a position of considerable disadvantage with established centre of global economic dominance (Saul 2006:2).

Notwithstanding this dynamic on the ground, the WB, IMF, and their western principals have clung tenaciously to the neo-liberal development doctrine which states that all that poor countries require for their development are large and sustained flows of foreign capital (Payer 1991:x). As the sole superpower steeped in the extensive use of 'hard' rather than 'soft' power, the United States is hegemonic in this respect. Washington's unilateralist foreign policy, first in Latin America, its hemispheric backyard, as well as on the global scene, is anchored on the conviction that

the United States can legitimately exercise its power abroad solely for American interests, and that this exercise of power should not be subject to review or approval by any external power or international body (Staples 2007:5).

At face value, this kind of ideological posturing calls into question America's commitment to multilateral institutions such as the WB, IMF, and World Trade Organisation

(WTO) to fulfill their respective mandates, particularly in respect of the Global South. What should bother governments and policy-makers in third world countries, especially Africa, is that the ideological predilections of the United States and its major allies are shared by the Bank, the IMF, and other International Financial Institutions (IFIs).

Washington's propensity for using its economic, political, financial and military muscle to serve its own geopolitical, strategic and national interests is well-known. This limits the choices of its negotiation partners, and alters their preferred course of action (Staples 2007:5). In the same vein, the United States and other creditor nations have used their capital flows to developing economies to serve their own political and economic goals under the pretext of 'aiding' these countries to develop. The result has been the debt peonage of these countries, and the constant export of vast amounts of capital from these countries to the creditors in the name of debt (re)payment. Since 1982, according to Payer (1991: 115), the annual average is about \$30 billion.

The combination of transnational corporations and private capital has given a particular trajectory to development discourse and practice that harms non-western economies and societies. The markers and identifiers are clear. The first is free trade that is anything but free in view of its 'double standards that protect certain markets in wealthy countries and deny poor and developing countries the chance to benefit from the most promising segments of their own economies' (Naidoo 2003). The second is a power-based rather than rules-based multilateral system which gives the WTO awesome powers to formulate 'global' policy on virtually all aspects of trade, which is inimical to the peripheral segment of the international system, pious statements to the contrary notwithstanding (Jawara & Kwa 2004; Short 1998:460, 463).

These elements are not unique to contemporary globalisation. Indeed, as Broad & Heckscher point out, 'today's pattern of global exchange date back to the period of European colonialism that began in the late 15th century' (2003:714). Three earlier waves of economic integration (European colonialism; the early post-World War Two period up to the 1960s; and the 1970s, a period of concerted and heightened political solidarity and activism among countries of the South demanding new ground rules in international economic and trading relations) teach us that, then and now, economic reform programmes are not intended to serve the interests of the people in the affected countries. Rather, these programmes serve 'the interests of global corporations and the global market' (ibid:722).

In the process, benign indifference or inadequate appreciation is displayed towards salient issues of auto centric and genuine development affecting ordinary people in the South, often in a life or death way. The nature of capital has remained unchanged down the ages: it always promotes an ethos of commerce and the commodification of life itself over and above the value of human rights and the dignity of human life. As it was during the first scramble for Africa- particularly after the Berlin conference of 1884-5 – the second (and perhaps final) scramble for Africa now involves emergent powers such as China and India which are by no means more benign. The colonial economic ethos of

crude and cruel exploitation is very much alive, and reigns supreme. This approach was exemplified by Cecil John Rhodes, Rhodesia's colonial founder, when he stated:

we must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labour that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories (cited in *ibid*:714–715).

An ideology-driven globalisation process and the ideology of the WB, IMF and WTO, amongst others, feed and reinforce each other. Left untamed and untempered by deliberate, deliberative and far-reaching state and other political interventions, globalised capitalism, in the form of free market processes, engender large-scale injustice, insecurity, instability, and inefficiency. In its study *Globalisation, Growth & Poverty: Building an Inclusive World*, the WB claimed, through its chief economist and Vice-president Nicholas Sem (successor to Nobel Laureate Joseph Stiglitz), that 'integration and free trade are real', and that the latter and globalisation (read globalism) amount to antidotes to poverty and income inequality (Raghavan 2001). But then the claim that there is a positive linkage or one-to-one relationship between open trade and growth has not been validated anywhere. Foremost economist Dani Rodrik (2006) makes the important point that insofar as the WB itself admits that neither China nor India has adopted pro-trade policies, rapid integration with world markets is likely to be due to 'successful growth strategies' rather than to trade liberalisation or a devotion to WTO rules and frameworks.

He adds that given the fact that both countries only reformed their trade regimes a decade after higher levels of economic growth (even though trade restrictions remain prominent, as South Korea, Taiwan, and Vietnam demonstrate) there is reason to believe that policies anchored on the 'particularities and idiosyncratic characteristics' of individual countries have boosted economic growth more than the sheepish or monochromic embrace of a 'uniform precept or model' (Rodrik 2006). What sets China and India – as well as Argentina, Bolivia, Brazil, and Indonesia – apart from African countries is that they have refused to imbibe globalisation's hegemonic tenets hook, line and sinker. Rather, they have used the forces of globalisation to enhance their domestic capacities, the lesson being that 'the benefits of globalisation come to those who do their homework' (Rodrik 2008).

A combination of colonial and neocolonial policy designs and imperatives and undue pressure on African governments and political leaders to continue to play the guinea pig role for sundry people-hurting policies has left Africa in the lurch. Indeed, manipulation of market orthodoxy by the WB and IMF has subordinated African governments and people. It is common knowledge that there is hardly any critical engagement between the G8, the WB and IMF on the one hand and African governments on the other. While, in general terms, the Bank and Fund are infamous for seeking consultation with

domestic stakeholders only after their agenda has been firmed up (Kenety 2000), the additional tendency, *vis-à-vis* Africa, has been to set little store by popular consent and a development trajectory that reflects concrete historical experiences and cultural exigencies (Adeniji 2005:60). Implicit – let alone explicit – bargaining is a rare commodity. As reported by Callaghy (2004), the relationship is undergirded by a leader-follower mentality: ‘do what we tell you to do, and you will have the funds to invest in growth-related activities to support on-going economic reform because private external investment will flow in’. Perhaps because African economies are the most open and the worst exploited by both globalism and globalisation, the lack of internal democracy in the Fund and Bank resonates easily within the continent.

Haiti (the second black nation in the western hemisphere after Palmares to achieve independence) is emblematic of the treatment reserved for African governments: the Bank and Fund would extend new loans or credit facilities to heavily indebted and struggling countries so that they could start repaying earlier debts. Under the impulsion of Washington and, to a lesser extent, the European Union, the Inter-American Development Bank (IDB) insisted, in October 2002, that Haiti should start making payments on yet-to-be disbursed loans as well as arrears. In order to qualify for an investment sector loan of \$35 million, the Aristide government was forced to pay outstanding arrears of \$32 million in mid-2003. To comply, the government had to literally empty the country’s national reserves.

There was no compassion whatsoever for the long-suffering people of Haiti; they effectively gained only a meagre sum of \$3 million from the transaction. Furthermore, in its push for SAP and privatisation (a move rejected by both the Aristide and Preval governments), the Bank imposed the privatisation of key infrastructure. It went beyond the call of duty to order that key state/public sector functions such as education, health, family planning, water supply and sanitation be taken over by the country’s non-government organisation (NGO) sector (Beeton 2006). Surely, it doesn’t get nastier than this!

This explains why legitimate demands by critical state and non-state voices from the South calling for the adoption of policies and measures to ‘reshape the rules of the world economy to increase the benefits of economic integration to South nations states in general’ (Broad & Heckscher 2003:724) have consistently been opposed by western powers and the IFIs. The result is that those vital development variables from the perspective of the South (such as fair trade to ensure higher prices for commodities; proper regulation of trade agreements in terms of consensual norms and values; codes of conduct for corporations; and third party certification initiatives) receive scant attention. This explains why both the Uruguay Round of WTO trade negotiations as well as the prolonged Doha Round have been no more than the expression of crude gunboat diplomacy.

It is instructive to note that, since the Euro-African summit in Portugal in December 2007, the European Union (EU) has been piling pressure on African, Caribbean and

Pacific (ACP) states to sign an Economic Partnership Agreement (EPA). Both in form and substance, this would be wholly antithetical to African agriculture and industry or industrialisation. Clearly, the EU is aiming at the continent's economic jugular, with scant regard for the fact that while Europe currently accesses about 80 per cent of the African market, the reciprocal figure for Africa is a miserable 2 per cent (Pilger 2008:28). Interestingly, some Caribbean states (Barbados, Trinidad and Tobago, and Jamaica) that had initially agreed to sign later decided to take a more critical look at the arrangement (Ischyron 2008).

If the ACP states buckle, the consequences for Africa are ominous indeed: 'given its engineering and focus, the EPA would mean the total swamping of ACP countries with cheap, subsidised food from the EU quota-free and duty-free to the detriment of ACP economies and their farmers' (*African Agenda* 2008).

Thus Clare Short, then British Secretary for Overseas Development, missed the point when she claimed that 'developing countries must become full participants on the global economic stage, shaping and influencing global rules in line with their interests and needs' (1998:456). Naidoo (2003) describes the nature and logic of the contemporary globalisation policies of the Bank and Fund as that which

energetically enable(s) the movement of capital, but not of people, across boundaries; a financial system that essentially rewards unemployment and consolidates a notion of jobless growth, a system that rewards rampant over-consumption rather than grappling with the more complex challenge of sustainable development.

In *Lent & Lost: Foreign Credit and Third World Development* (1991), a companion volume to her two previous works on the WB and IMF (1975 and 1982),² Cheryl Payer claims that 'since the Latin American debt crisis broke in 1982, Third World debtors have been paying their creditors an average of \$30 billion more each year than they have received in new lending' (p ix). She adds:

This is money which could and should be used to pay for necessary imports to keep their own productive facilities operating and to make new investments for future production. It is money that is desperately needed for education and health care expenditures ... (yet) it is a charge that they are legally required to pay year after year into the indefinite future (ibid).

She also speaks to misconceptions and myths about third world development and the role of foreign capital in the development process (ibid:x). At least three of the myths she has sought to correct are germane to the major thesis of this piece. The first is that, contrary to the popular notion that poor countries are natural and net importers of capital, they have been (as already noted) massive exporters of capital since the 1980s. The second is that, while received wisdom states that the WB and IMF have the expertise to advise countries about how to deal with their balance of payments problems, they have

often created and sustained the debt crises of developing countries. Worse, they have tended to cling to the same panoply of policy advice even whilst grudgingly admitting, as the Bank did in *Economic Growth in the 1990s: Learning from a Decade of Reform* (2005), that the search for formulae and ‘best practices’ is elusive (Rodrik 2006). And, finally, the riposte to the myth that ‘economic growth will give citizens of the debtor countries a better life while at the same time eventually allowing them to pay off their debts’ is that, rather than solve balance of payments problems, domestic growth has tended to worsen it.

Rodrik (2006) has argued that if ‘best practice’ was all about economic growth, sub-Saharan Africa experienced that in the two decades preceding SAPs. Clearly, then, it is not. Rather, it is about integrating developing countries with the global political economy via market reforms that have consistently failed to establish the basis for long-term economic growth in low-income countries. This is neither accidental nor fortuitous. On the contrary, it is globalism at work, and the connections it is fostering are ‘benefiting large firms, while creating hardships and instability for many, many people’ (MacEwan 2001). Orthodox market reforms sanctioned by the policies of the Bank and Fund have nowhere led to stable and sustained economic expansion.

On the contrary, as already noted in the preceding section, they have tended to deepen inequality and exacerbate the crisis of poverty in many African countries. On the whole, policy advice to developing economies (some of which, by the late 1970s, were already evincing features of a developmental state) to curtail social spending on education, health, and physical infrastructure threw spanners into their long-term economic growth and development (Yu 2005). In May 2001 Kwamena Bartels, then Ghana’s minister for works (later information), gave this verdict about the impact of SAP on the economy and society of a former star pupil of the Bank and Fund:

After 20 years of implementing SAPS, (Ghana) economy has remained weak and vulnerable and not sufficiently transformed to sustain accelerated growth and development. Poverty has become widespread, unemployment very high, manufacturing and agriculture in decline, and ... external and domestic debts much too heavy a burden to bear (in *World Development Movement* 2007:12).

To the extent that development in third world countries_in general and Africa in particular is hardly defined by the international development community as ‘sovereign democratic transformation’ (Bendana 2008) of the societies in question, a combination of ODA and debt compounds the structural vulnerability of these states. There is no gainsaying that a particular development vision or ideology generates its own brand of policy advice. Not only do aid and loans reinforce the power of authoritarian governments by concentrating easy money in their hands; they also cement the status of developing economies as loci and sites of cheap raw materials and cheap labour. By the same token, aid and loans are, from the point of view of western powers, an invaluable

able investment. Besides the fact that ODA loans have to be repaid, and have entrapped African countries into a veritable debt peonage since the 1980s, they are minuscule compared to the huge profits accruing to those powers and their transnational corporations. These profits come through unfair trade, exploitation of labour, appropriation of resources, interests on loans, domination of markets, and privileges and incentives, including tax holidays granted to globalised capital and their agencies in developing countries (Broad & Heckscher 2003:721; Bendana 2008:28). One reason why western powers continue to disburse aid is precisely because it serves their long-term interests.

Several Latin American and Asian countries have had the political courage and sagacity to walk away from the IMF, citing failed policies. This failure is perhaps most evident in Latin America: whereas between 1960 and 1980 its economies grew by 82 per cent per capita, the corresponding figure since 1980 is a mere 14 per cent (Beeton 2006). There is little doubt that the market-friendly development paradigm encapsulated by the so-called Washington Consensus and enthusiastically promoted until the 1994 Mexican peso crisis and the Asian crisis (beginning with Thailand in 1997) amounted to an unmitigated failure of the Bank and Fund in these two regions (Raghavan 2001). While, as noted earlier, the Washington Consensus appears to have fallen out of favour, the policies espoused by its proponents (particularly indiscriminate trade liberalisation as a catalyst for export-led growth) continue to be propagated in developing countries almost with an uncanny missionary zeal.

As a counterpoint to the foregoing, less aid and more self-reliance have to be the name of the game from Africa's perspective. Better still, rejection of tied aid appears sensible. On the first score, after its incisive analysis of the lopsided structural and economic relations between the United States and Latin America, Staples (2007:9) concluded, rather regrettably, that Latin American countries 'need much more aid for their economies to grow and also to meet basic infrastructural needs such as education and health'.

Some perceptive charity organisations, for all their needs, have behaved wisely. In 2007 Care International refused a whopping \$46 million in food aid from the United States government on the grounds that, rather than save the lives of the farmers involved, the aid would destroy their livelihoods. Additionally, the organisation rejected the strings attached- that is to say that donated food should be sold on the local market so that the organisation could raise funds for its activities (Obeng 2008:8-9). Indeed, in 2000 some 71,6 per cent of America's bilateral aid commitments were tied to the purchase of American goods and services (Adedze, 2008:12).

Given this situation, it is strange that most African governments continue to cling to the erroneous belief that aid is a purveyor of economic growth and development. There is, for instance, an almost theological reliance on the goodwill and generosity of the G8 (the nucleus, it seems, of the largely nebulous 'international community', the most important term in current global development literature) for funding both the Millennium Development Goals (MDGs) and the New Partnership for Africa's Development

(NEPAD). As the G8 appeared reluctant, at its 2008 summit in Hokkaido, Japan to reaffirm its commitment to keep to the self-imposed 2010 deadline to increase aid to Africa, the UNDP's riposte was swift: *it's a slap in the face for Africa when it has already done so much through improved governance, better macroeconomic policies and strong growth to uphold its side of the development partnership that underpins the MDGs* (Dawes 2008:13, emphasis ours).

It is baffling that, almost a decade into a new millennium, and confronted with the awkward reality of growing poverty, such governments and their political/policy leaders have tended to become more rather than less extroverted in their development strategies. For them, development is more a function of the benign and benevolent activities of external agencies and forces and the resources they can mobilise and less of the agency of domestic structures, social forces, and the abundant resources and energy of national populations that can be deployed internally.

The aggregate of globalism as globalisation vis-à-vis the African continent is poverty writ large. Poverty has been conceptualised not only as 'a complex and multidimensional socioeconomic phenomenon', but also as 'a social construct'. For Gumede (2008:22), poverty is far from being a natural phenomenon, not least because Africa, by far the richest continent in terms of its immense natural, mineral and human resources, is the poorest and the most 'aided'. To the extent that poverty is a human creation 'in a world devoid of morals and compassion', Gumede is right to insist that 'each country determines what kind of poverty it can tolerate, how long it wants to tolerate it and how vigorously it will deal with it' (ibid). Furthermore, the nature and character of poverty is easily misunderstood by those who choose to see it as a 'contemporary reality' rather than 'a historical process of enrichment' (Bendana 2008:30).

What is the nature of the 'development' policies of the WB and IMF in respect of African countries? Have they compounded the poverty indices of the continent, or reduced and alleviated them?

6. WB and IMF 'development' policies in Africa

It has been argued that, contrary to the position taken by most international financial institutions, economic and financial policies are an eminently political matter. In the same vein, contrary to the ideological and political predilections of the WB and IMF, effective development policies at any level (national or international) cannot afford to subordinate rational politics to rational economics. This is because no matter how fine an economic policy blueprint is on paper- and no matter how much it is pushed by external forces – it will fail woefully at the implementation stage without effective support from, and anchorage in, key domestic political constituencies, alliances, or coalitions. Similarly, policy reforms are doomed unless institutional and political conditions are favourable to them. According to Rodrik (2006), 'sound policies [need]

to be embedded in solid institutions'. Chief among the latter is the state or a particular configuration of the state such that democratic politics, social bargaining, popular consent, and legitimacy of political authority find popular expression and approval. In sum, social capital and social contract are vital ingredients in the articulation not only of economic policies, but also of an effective overarching framework of governance (Olukoshi 2004; Stiglitz 2002; Adeniji 2005).

In their engagement since the 1980s with African countries on orthodox market reforms, the WB and IMF have failed in at least three major respects. Firstly, the development policy proffered for Africa has not only emphasised rational economics at the expense of rational politics, but has also sought to subordinate the latter to the former. Secondly, SAPs, claimed to be the cure-all for the continent's accumulated policy distortions, were imposed on the state, political, and policy elite in recipient African countries. Thirdly, insofar as the neo-liberal paradigm underpinning SAPs was presented as sacrosanct and non-negotiable, the Bank and Fund paid scant attention to the imperative of a political and institutional framework anchored on an admixture of state intervention, market reform, and social (re)distribution (Olukoshi 2004).

There were other gaps in the policy process or matrix. These include a poor understanding of the nature of the economic crisis on the continent, and an inadequate appreciation of the politics and political economy in each country (Adeniji 2005). Having effectively taken the political initiative for reform away from African governments and people, the attempt to foist and force reform ownership on to Africa was foolhardy. Adams has made the important point that

the World Bank's single most destructive accomplishment has been to free third world governments from the need to deal with their own people; thereby undermining the growth of democratic institutions and legitimate tax regimes throughout the third world (1997:178).

In their review essays on Stiglitz's *Globalization and Its Discontents*, Friedman (2002) and Rossi (2002) agree that not only the Bank, Fund and WTO but also the United Nations family have signally failed in their enunciated mission of 'furthering various aspects of the broader development goal'. Stiglitz believes that the IMF, more than any other institution, is the villain of failed development in Africa. He not only blames the Fund's flawed economic theories, lack of transparency and accountability to the public, and its pursuit of special corporate interests (Rossi 2002; Rodriguez & Santiso 2008), but also questions its robust indifference to the existence, in much of Africa, of imperfect information, incomplete markets, and unsatisfactory legal and related institutions. This is because countries forced to implement orthodox market policies in the absence of viable and appropriate financial, regulatory, and corporate governance systems end up retrenching and retrenching the state and the nation's accumulated assets in the hands of foreign capital and its domestic hirelings.

Besides the fact that African governments have been constrained to do away with well-chosen, politically significant interventions in orthodox market reforms, what kind of development model were the WB and IMF trying to impose on the continent? To begin with, political explanations are perhaps more important than economic ones in order to reach a broad-based understanding of adjustment policies (Adeniji 2005:44). These institutions always attempt to cover up their deep involvement in the domestic politics and policy processes of their African clients by playing the ostrich and burying their ideological heads in the sand. They then present the façade of an honest and non-partisan broker, but no one is fooled. 'The moment the IMF demands that budget deficits be cut and interest rates be raised,' writes Motsi (2006), 'it has entered into domestic politics.' To pretend otherwise smacks of political power bereft of political responsibility.

Perhaps Stiglitz's (2002) major contribution to the debate is that so-called failed development in sub-Saharan Africa occasioned by orthodox market reforms did not happen by chance or by accident. It is the result of a familiar script: the Washington Consensus on free markets equals a blend of ideology and bad science (Rossi 2002). The policies of these IFIs reflect the current balance of power in the international system, even though it is not totally correct to say that developing countries are wholly bereft of power. Orthodox market reforms are imposed on developing countries at the behest of the rich nations as well as the creditor clubs of Paris and London and their transnational corporations.

Together, they constitute the largest financial contributors and, in consequence, the primary stakeholders of the Bank and Fund. United States hegemony partly derives from the fact that it controls 20 per cent of the IMF vote. The corresponding figure for 47 sub-Saharan African states is a miserable 7 per cent.

This suggests why, as noted earlier, the WB and IMF have a tough act maintaining what Ngaire Woods (in Motsi 2006) refers to as the 'delicate balancing of political forces' between the national and global interests of their largest donors and their own non-partisanship and legitimacy as trusted interlocutors vis-à-vis the third world, their largest customers. Their agenda – to all appearances more politico-ideological than economic – is very clear: imposing the globalising policies of macroeconomic stabilisation and SAPs (trade liberalisation, openness to FDI, privatisation of state enterprises, conditional lending programmes, promotion of imports and exports by capital markets, deregulation or abolition of regulations that impede entry or restrict competition, and so on), thus transforming African countries 'into open economic territories for their manufactured products and excess capital, and to create reserves of cheap labour and natural resources (Yu 2005; Raghavan 2001).

According to Stiglitz (2002), IMF-style market orthodoxy demonstrates a certain coherence that comes from 'an ideological commitment to free markets and a concomitant antipathy to government'. Even though the Fund presents its policies as value-free, because they are market-driven, the consequence of ideology is unmistakable: a 'cookie

cutter' approach to market reform policies that ignores 'the facts on the ground' in recipient African countries. The final outcome is that same prescription is made for sundry economic ailments with scant regard for case by case differentials. By abandoning Keynesianism (which stipulates full employment for adjusting countries involved in balance of payments); showing little commitment to economic growth, a necessary (if insufficient) condition for full employment; and privileging credit contract over and above social contract, Stiglitz argues that the Fund ends up either creating or compounding the problems it purported to solve (Stiglitz 2002; Friedman 2002).

After facilitating the post-World War Two reconstruction of Europe, it appears as if the WB and IMF chose to take their second mission statement quite literally: global economic stability would be maintained at the expense of developing economies. And the evidence is unmistakable. For one, the Bank and Fund have consistently defended the policies sanctioned by their major shareholders in their policy advice to African countries, not necessarily because they believe in them, but because those policies serve the interests of the United States and its allies. Stiglitz adds that the IMF 'systematically acts in the interest of creditors and of rich elites (including national ones) more generally, in preference to that of workers, peasants and other poor people' (2002).

In this context, the root cause of the so-called global food crisis since the beginning of 2008 is instructive. It is interesting that only developing countries are experiencing acute food shortages (even though, on account of skyrocketing oil prices, soaring food prices appear to be a global phenomenon). After all, in 2006 alone, the EU subsidised European agriculture by €42 billion, a little less than the €47,5 billion it spent on ODA in the same year. Of the 36 countries declared by the FAO in early 2008 to be in need of urgent food aid, 21 were African. Besides the fact that this fits perfectly into a geostrategic and political-economic framework of western global hegemony and domination, it makes little economic sense to insist that African states with primarily agriculture-based economies should remove agricultural subsidies while highly industrialised western nations annually spend billions of dollars/euros on farming subsidies and incentives. But, as we have attempted to show in this essay, this policy – and related ones – is a function of high-wire international politics, and has little to do with low-intensity economics.

The current food crisis is rooted in a number of factors and forces. These include the agricultural model promoted in Africa, Asia and Latin America by the great powers since the 1950s; and the liberalisation and privatisation of agriculture which have strengthened the hands of western agro-business at the expense of 'the productivity of small-scale farmers, and food sovereignty of poorer people' (*Europe Network on Debt and Development* 2008). Others are neo-liberal policies that circumscribe the right of governments to 'assist their farmers with essential services such as improved seedlings, fertiliser, equipments, marketing boards and extension services'; the neglect of food crops in the race to cultivate cash crops for export; and a combination of subsidised food products of Western Europe and North America that flood African markets and

'food aid'. All these factors – and more – have conspired to destroy the livelihoods of many farming communities, as well as their flora and fauna (Obeng 2008).

Furthermore, economic growth continues to fuel the gap between the rich and the poor, partly because of the problematic nature of ODA in relation to growth. ODA is not a suitable or adequate instrument for tackling the continent's structural economic crisis. Moreover, many African countries do not have the power and capacity to address the growing gap between the haves and the have-nots, with a view to fostering greater social justice. No less a personality than the continent's longest-serving minister of finance, South Africa's Trevor Manuel, has confessed to this. Yet Africans expect their governments to 'be strong and more assertive in regulating to protect the vulnerable from exploitation and harmful commercial conduct' of external actors (Calland 2008:31).

They also expect their governments to emulate the nationalistic and patriotic responses to globalism of countries such as Brazil and India, which have consistently resisted demands from the EU and United States to reduce their protection of their manufacturing sectors. Indeed, they say this protection is a direct response to the massive protection by western governments of their agricultural markets (Elliott & Wintour 2008:49).

To be deplored here is the absence of the historical experiences and indigenous knowledge systems of African states and peoples in the development and policy advice imposed from outside. These are replaced by 'expert advice' and theoretical knowledge manufactured in Western Europe and North America. The sovereignty and national pride of African and Africans, as well as the personal self-esteem of key domestic policy-makers, are trampled upon with irreverence and impunity. According to Rajan,

some of the largest industrialised countries see themselves as more sovereign than others and their politicians brook no interference in their own domestic policies while being fully prepared to use multilateral agencies to intervene in the domestic policies of others (2007).

The suitability or efficacy of policy advice by the IFIs to Africa is almost always taken for granted, or merely asserted. When policies fail, the WB, IMF, or foreign private sector is hardly ever blamed. Almost without fail, they seek to avoid corporate responsibility and moral hazard, as well as responsibility for risks in projects undertaken as a result of their policy advice.

The blame is often broadly put on 'historically poor governance', a lack of political will on the part of adjusting governments, and poor quality of political institutions. Clearly, rich nations and their corporate partners do not know where the shoe pinches: they stopped borrowing from the IMF in the 1980s but still dominate its board, which is charged with the final assessment of policies to be funded. They will probably never understand that 'breathhtaking, comprehensive institutional reforms' imposed on Afri-

can countries as a 'shock therapy' engenders a policy agenda that cannot be addressed. As Rodrik (2006) has averred, because of the open-endedness of the policy advice of the Bank and Fund, and its inherent non-falsifiability, 'in the end it is the advisee who falls short, and never the advisor who is proved wrong'.

7. Concluding remarks

We argue, in conclusion, that the Bank, through its policy-based lending, dictates key policies to borrowing countries, thus eroding their autonomous policy space and their ability to evolve economic policies best suited to their particular ecologies and peculiar circumstances. The risk of incurring the wrath of the Bank – which will make it to declare such a country non-creditworthy – is often too much for borrowing countries to bear. They need new loans, and the rescheduling of old loans. They therefore tend to comply, willy-nilly, with the Bank's policies. At the end of the day, borrowing countries are the big losers. It is precisely at this level that the Bank and Fund have become greatly discredited, in Africa as well as in other developing regions. The Fund has almost entirely failed to deliver on its key promise of assisting adjusting countries to reduce or eliminate foreign debt. Rather, the globalising policies of the Bank and Fund (SAPs, conditional loans, and other policies that hurt the long-term growth and prosperity of the continent) have tended to create or perpetuate massive national debts, as well as social dislocation and disarticulation. The ultimate effect has been to cause untold misery to millions of souls (WDM 2007:20).

Neo-liberal development policy sets little store by salient social and political factors such as inequitable social structures and power relations. Yet, because they breed unfair social relations both at domestic and international levels, the importance of these factors for the success or otherwise of policy reforms can hardly be over-emphasised. As long as Africa remains linked to a global system dominated by hegemonic western economic, political, and geostrategic interests, unfair trade will continue to worsen poverty on the continent, and perpetuate its marginalisation.

Clearly, developing countries in general and Africa in particular need to forge what Bendana (2008:30) refers to as 'new development model and development solidarity architecture'. Given the contemporary constellation and balance of forces between the global North and global South, a new model of development will have to emerge from popular political and class struggles at all levels of national and international communities, including the African Union (AU) and the enlarged G77. While each state will have to put its own house in order, development practice in the global South has demonstrated that there is strength in numbers.

Whilst social contradictions and the lack of a unified vision continue within and across states (Amin 2006:6), they need not detain or unnecessarily worry genuine reformers.

A new development model needs to be found that can facilitate the creation of the desirable society which African peoples merit and deserve: societies that are 'developmental, humanistic and harmonious' (Bangura, in Olukoshi 2004). Since the neo-liberal development paradigm, based on the dogma of the market and canvassed by the WB and IMF, has undermined the development of the continent and deepened the immiseration of its people, a new development architecture necessarily has to be a *pragmatic antithesis*. At the global level, a new development theory has to be evolved against the 'grim illogic of the present global capitalist system' (Saul 2006:115), which could underpin a new political and policy praxis that is genuinely liberatory, emancipatory, and developmental. This will need to be adapted to the characteristics of individual states and their particular political economy, society, history, and culture.

There are important considerations in this respect. Firstly, the right of all states to development, ardently promoted by the UN General Assembly in the 1960s and 1970s but jettisoned following opposition by the United States, has to be reintroduced. This must become a major defining feature of globalisation, aimed at helping the most vulnerable states to adopt the most effective pro-growth policies without undue external interference. Secondly, African states need strong and legitimate institutions capable of accumulating capital and delivering public goods. Effective institutions at all levels of the political economy that can maximise social benefits for the citizenry equally constitute a social desideratum. The issue is not capacity (African states have supposedly been building capacity for the past half-century), but rather how these states can articulate viable and people-friendly policies to tackle the most vital development issues. Foremost amongst these are de-industrialisation; a lack of infrastructure; challenges in education, health, and housing; unemployment; the energy and food crisis; debt peonage; etc.

Thirdly, and most importantly, the reinsertion of a particular configuration of the state into the political and policy process is a *sine qua non* for people-friendly development. This new state will work out how a judicious balance can be created between the role of government and the role of the market.

Further, through the interplay of social contract and social capital, the state should, once again, assume *the* (not just *a*) dominant role in the political and policy process, aimed at driving development, socialising capital and the market, and achieving social and distributive justice. Within this context, the market and its appurtenances would be selectively, pragmatically and ideologically used by the state. As Bendana (2008:29) has argued,

markets must take their subordinated space in the organisation of a political economy. Markets and big capital cannot dictate engagement. Markets have to be embedded in society and therefore in relations of solidarity, not competition.

If capitalism is what Keynes says it is (see the opening quote), and if it corresponds to

its further characterisation by Przeworski (in Saul 2006:115–116) as ‘irrational’, surely there has to be an alternative model of development to an ugly and people-unfriendly one – a model that is simultaneously humane, humanistic, and anchored on social solidarity. Whatever the name (or names) given to this alternative model, it is worth exploring for the sake of billions of people in Africa and elsewhere on the globe who continue to suffer under globalised capital *qua* globalisation. ■

Endnotes

- 1 This section draws heavily on Mosley et al 1991.
- 2 *The Debt Trap: The IMF & The Third World*, 1975; and *The World Bank: A Critical Analysis*, 1982.

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