International Financial Institutions and Sustainable Development in Africa

The Bretton Woods Institutions - a force for a peaceful planet?

In July 1944, at a meeting of 43 of the world's wealthiest countries in New Hampshire, USA, the Bretton Woods Institutions - the name given to the World Bank and the International Monetary Fund (IMF) - were established. The stated aims of the founding countries were to help rebuild the shattered postwar economy and to promote international economic cooperation, believed to be necessary to maintain international peace and security.

The role given to **the IMF** in 1944 was to create a stable climate for international trade by harmonising its members' monetary policies, and maintaining exchange stability. It would be able to provide temporary financial assistance to countries encountering difficulties with their balance of payments. **The World Bank Group** was established ostensibly to improve the capacity of countries to trade by lending money to countries in need of investment - initially, in the aftermath of World War Two, for reconstruction of war-ravaged and impoverished countries.

Critiques of the IFIs

However, since their foundation, many civil society voices have viewed the IFIs with some skepticism, seeing them as a tool to increase the influence and profit of wealthy countries, and private corporations. One of the primary, long-standing critiques of the IFIs relates to **their democratic deficit.** Both the IMF and World Bank allocate voting rights according to the "shares" held by member countries - meaning that the wealthiest countries have far more voting power, in spite of most of the institutions work taking place in the Global South. In spite of recent reforms, this imbalance remains.

Secondly, since the 1980s, the IMF and the World Bank Group have been viewed by many as major proponents of the 'Washington Consensus' approach to development. According to this approach, free markets, deregulation and privatisation are key components of reducing poverty. Although much evidence has been gathered to undermine this view, conditions continue to be attached to the loans of both the Institutions which require governments in the Global South to implement these policies.

The case of Mali

The film 'Bamako,' depicts a fictional 'trial,' carried out in a Bamako courtyard, in which the World Bank stands accused of inflicting poverty and inequality on the Malian people.

Mali is one of the world's poorest countries, with over two-thirds of the population – mostly in rural areas – living on less than a dollar a day. It is also the second largest cotton producer in sub-Saharan Africa, after Burkina Faso.

Since the 1990s, the World Bank and the IMF attached numerous conditions relating to Mali's cotton industry to both loans to Mali under the Highly-Indebted Poor Country (HIPC) debt relief initiative, and to loans from the World Bank to Mali under its Poverty Reduction Strategy Paper (PRSP). These conditions required the privatisation of the Malian cotton sector. The Malian government was required to allow private actors to enter the Malian cotton market, and to ensure cotton prices in the country matched global prices - rather than be inflated through government subsidies.

These conditionalities are questionable from a democratic point of view, limiting the ability of Mali's government to determine its own economic policy. In addition, whilst these conditions were imposed, other wealthier countries continued to subsidise their cotton industries, driving down global prices in a way which jeopardised the livelihoods of Malian farmers, and impacted on the entire Malian economy. It is broadly agreed that these World Bank-led reforms have further exacerbated the dire conditions in cotton-producing communities in Mali.

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