

Repairing harm caused: What could a reparations approach mean for the IMF and World Bank?

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At issue



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Beginning with a reflection on the implication of decades of neocolonial policies across the world, it is time for the IMF and World Bank to understand their own legacy and take responsibility for both historic harm and enduring injustice today. Steps towards acknowledging, dismantling and in some situations, reshaping the structures of our world are urgently needed and this must include both the IMF and World Bank decolonising their approach.

In recent months, Covid-19 has brought into [sharp focus](#) the enduring economic, health and social inequalities experienced by descendants of former colonised and enslaved populations. Within a context of disproportionate poverty experienced by Black and other colonised, subjugated people all over the world, the recent [killing](#) of George Floyd propelled a heightened awareness of racism, making it a global headline for much of June 2020. This roused a moment of global solidarity, including commentary and condemnation of racism from both the [World Bank](#) and [IMF](#).

Whilst commitments to look at internal anti-racism policies are important, these initial reflections have ignored the role that both institutions have played in the perpetuation of colonialism. Today, the Bretton Woods Institutions (BWIs) seem to frame racism in terms of its current and most obvious manifestations, rather than through a recognition of the wider historical context. In doing so, they ignore the link between colonialism and the development trajectory in the Global South, where the IMF and the World Bank have contributed to a structural economic dependency through the extraction of resources alongside the manufacture of debt, which has impeded the industrialisation, diversification, and

ultimately, the political independence of many countries.

The dominant economic orthodoxy of the IMF and the World Bank posits that debt and economic development, as well as growth and poverty, can be held together in a nexus that just needs the right calibration to achieve progress for all. Thinking of this kind ignores the damage these institutions have done and the racism they have perpetuated that needs to be tackled and addressed. It is also incognisant of the fact that 'inclusive growth', a kind of growth that benefits the most marginalised groups in low and middle-income countries, whilst a useful utopia, fails to address the structural racism that itself stems from a colonial ideology that is hardwired into the operating models of both institutions and the economic models they support. It is time for the IMF and World Bank to understand their own responsibility and decolonise their approach.

Economic imperialism by design: Recognising the history

As colonial independence movements gained momentum, the IMF was set up to preserve economic stability, in particular the centres of capital, while the World Bank was set up to drive the post-war recovery, initially focused only on the



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reconstruction of Europe. Both institutions were key in embedding and ensuring a hegemony that had racial demarcations in the aftermath of World War II. Unequal power relations that were explicitly racist shaped the mindset behind the earliest development policies. In the 1900s, the 'British Colonial Office' formulated a theory of development rooted in the interpretation of colonial populations, who at the time were deemed biologically and culturally ill-equipped to stimulate their own viable economic trajectories. From early colonialism in the 15th century to neocolonialism from the 1950s onwards (when many African colonies began to gain formal independence from European control), to neoliberalism from the 1980s onwards, enshrined in Structural Adjustment Programmes centred around policies of debt, each phase has further compounded these power dynamics.

The IMF and the World Bank's policies have in fact ossified the structures of power rooted in colonialism and expropriation by use of political, mental, economic, social, military and technical forms of domination, often enabled through the manipulation and co-optation of local elite forces.

In response to the debt crises of the 1980s, which was itself a reflection of these forms of control, they introduced neoliberal reform packages conditioned on borrowing countries implementing economic stabilisation, liberalisation, deregulation and privatisation policies, with the idea that free markets could be a panacea for all.

This included the establishment of the US dollar as the world's reserve currency in the 1970s, with US debt acting as a vector of its power, while

the debts of low and middle-income countries made them subject to creditors and conditionality imposed by the BWIs and compounded unequal power dynamics. The Covid-19 pandemic provides a clear and current example of the consequences of the perpetuation of this power. Many countries are struggling to respond to the health and economic consequences of the pandemic with limited resources to support health systems decimated by earlier [neoliberal policies](#) in many cases. If a new allocation of Special Drawing Rights (SDRs) had been made in April 2020, accompanied by a mechanism that allowed for their fair redistribution or by policies allowing lending quota limits to be exceeded, many low-income countries in particular would have had a better chance at tackling the current crisis. Instead, just one country – the US – [was able](#) to stop this from happening, while also unilaterally [quashing](#) broader reforms to IMF quota shares last year.

Much of the work of the IMF and World Bank fails to address the fact that the poorest income deciles and the most vulnerable are left behind - which includes formerly colonised communities. "Stop the *maangamizi* [a Kiswahili term meaning holocaust of forms of enslavement]: We charge genocide and ecocide" is a current international [campaign](#) (initiated by PARCOE - the Pan-African Reparations Coalition in Europe) representing a coalition of movements. The justification for this campaign is evident. In social protection debates, despite much work that [points to](#) exclusion errors in the range of 40 to 90 per cent for *targeted* social protection, the IMF continues its dogmatic allegiance to

economic efficiency over equity in arguing that such schemes are more effective than universal coverage. In the case of Tanzania, a former German colony where the present value of external debt [stands](#) at \$6.8 billion to the World Bank alone, when the BWIs were negotiating debt relief for the country in 2007, they made it conditional on the [privatisation](#) of Dar es Salaam's water system. City Water, the British and German-led consortium who won the contract, then severely reduced water access to some of the world's poorest people. [Data](#) show that countries that were colonial 'subjects' are more exposed to climate change and correspondingly, those countries that were former colonisers are the least vulnerable to ecological catastrophe. These dynamics are relevant in considering that the World Bank's climate work has obscured continued support for business-as-usual extractive economies in many [contexts](#). For example, in 2008, the US, UK, Japan and other industrialised countries asked the World Bank to administer the largest part of \$6.7 billion in several Climate Investment Funds to developing nations for clean-energy investments and other programmes to address climate change. The World Bank Group simultaneously went on a coal lending spree, [approving](#) \$6.75 billion for coal plants in the Philippines, Chile, Botswana, India, and South Africa.

How to reparate and decolonise: The fight back

The case for debt repudiation, which questions the legality of debts owed by the Global South to the Global North, and Truth and Reconciliation

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processes, are part of the ‘reparations tradition’ - a pan-African derived momentum for Global Solidarity for liberation and the realisation of the rights of the oppressed all across the world, of which decolonisation is one approach. For so long we have been told that the system is not broken, but that the problem is that we are not all part of it. Reparations is a completely different lens – the system is the problem. Steps towards acknowledging, dismantling and in some situations, reshaping the structures of our world are needed. Reparations movements base their vision for the future in hopefulness and restoration, and they continue a long line of political resistance to neocolonialism as we saw in the 1950s and 1960s, when many African national leaders challenged a Western-led approach to development and tried to take control of their own agenda - from Kwame Nkrumah in Ghana to Govan Mbeki in South Africa. Alongside African socialism, the [New International Economic Order](#) comprising [Non-Aligned Nations](#) was another key alternative perspective critiquing rising inequality and calling

for a replacement of the Bretton Woods system.

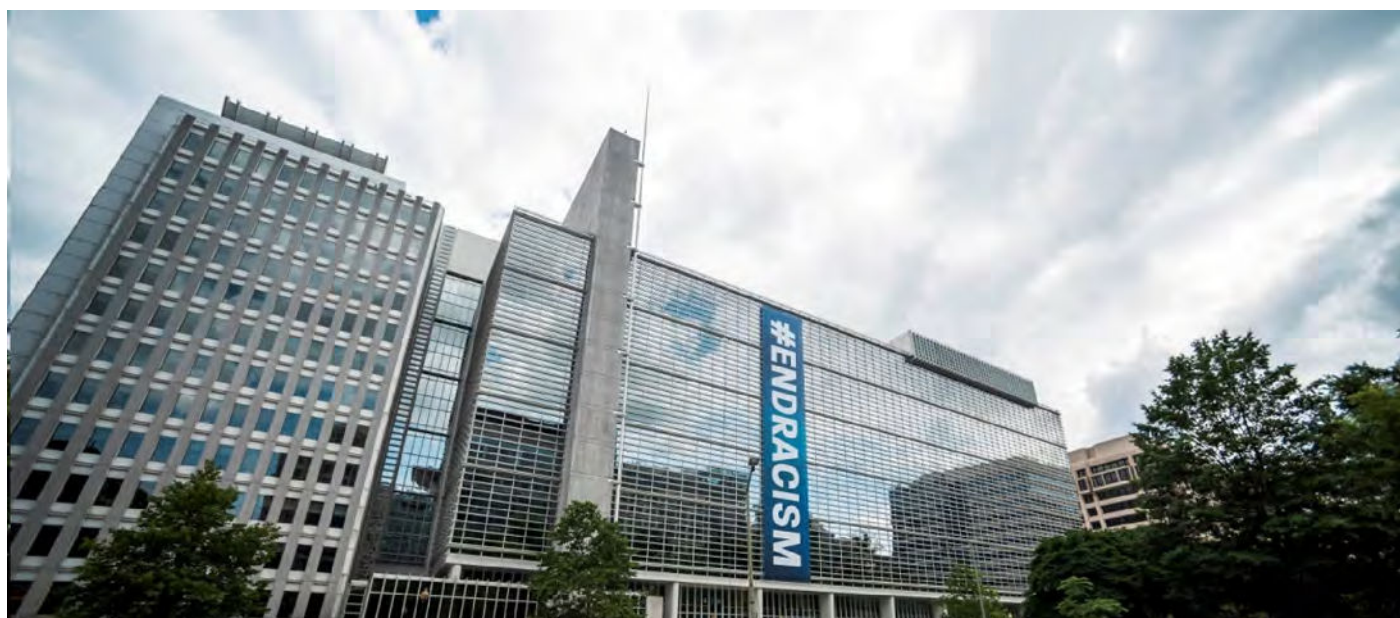
Going forward, achieving racial justice requires that people across the world who are enduring oppression have their power restored along with meaningful self-determination as aspects of the restitution dimension of reparations under international law. International financial institutions’ (IFIs) implication in the history of a number of countries provides the justification for such reparations. From 1908 onward, Belgium’s occupation of Congo was a horrific regime and included massive expropriation of assets. In July this year, after campaigning, the Belgian parliament [announced](#) the establishment of a commission to examine the country’s colonial past. The [detrimental role](#) of the World Bank is important here. In the 1950s, King Leopold II of Belgium ran up debt that financed projects in Belgian Congo, some of which was spent in Belgium. In 1960, this debt was unfairly transferred to the Congolese people at independence.

[According to](#) the Committee for the Abolition of Illegitimate Debt, this was

clearly illegal under international law and unthinkable for Patrice Lumumba, prime minister of the new state’s first government, to pay back. Congo’s current unsustainable debt load, which exists in part due to the unwillingness of the World Bank and IMF to write off odious debts, continues to this day.

Tunisia’s truth and reconciliation process offers another example of the case for reparations in relation to IFI culpability. On 16 July 2019, Tunisia’s Truth and Dignity Commission [published](#) memoranda to the World Bank and the IMF, as well as to France, seeking reparations for Tunisian victims of human rights violations.

The [commission](#), established in 2013 following the Tunisian Revolution of 2011, found that the IMF and World Bank bear “a share of responsibility” for social unrest linked to historic structural adjustment policies. It claimed that both institutions pushed the Tunisian government to freeze wages and recruitment in the civil service, and reduce subsidies on basic consumer goods, which led to social crises and conflicts. The



#EndRacism banner at the World Bank Group headquarters in Washington, DC.

Photo: World Bank

commission called for three acts of reparation: Apology, financial compensation to victims, and cancellation of Tunisia's multilateral debt to these institutions. The IMF and the World Bank failed to respond to the commission's calls, while Tunisia once again had to [resort to](#) borrowing from the IMF to respond to the Covid-19 pandemic in April. Alongside the case of Belgium and Tunisia, there are several [other cases](#) for reparative justice with leaders of countries that were once subjugated [sending](#) powerful messages at this year's UN General Assembly in September.

Steps toward decolonisation

Economic frameworks are only as effective as the values that underpin them. Breaking the historical continuum means re-envisioning the structures of economic governance and asserting our own democracy in forming them. The BWIs rely on evolved forms of influence, for example via conditionality and technical assistance programming, which still affords a heavy-handed role that is arguably similar to the direct control over government policy that colonial administrations had. The objective is also largely the same: To create the right conditions for continued economic growth and accumulation of capital in already powerful countries. Ultimately, there is a growing case to reject all institutions that came out of colonialism, step out of their processes and create alternative governance and regulatory spaces. Alongside building the policy and advocacy for bigger re-structuring

of this kind, there are other immediate steps that are also important. The following recommendations are levelled at the IMF and the World Bank, and would enable both to begin to embrace an active decolonial approach.

Analyse impact and reconsider country indebtedness calculations:

An assessment of the historical impact of slavery, colonialism and neocolonialism must be established. This would then be the basis for a re-envisioned financial assessment, using emerging methodologies. For example, compensation can be and has been calculated by other organisations determined to understand the detriment of their legacy. Such calculations can take place by identifying original assets seized under colonialism, establishing their value and using inflation multipliers to understand the current value of such wealth and the implications of this for country-level IFI evaluations.

Examine policies for conscious and unconscious colonial elements:

An examination of existing policies would begin with understanding [repudiated](#) debt where communities continue to endure injustice and marginalisation because of their post-colonial trajectory and unsustainable debt that solidifies other dimensions of inequality and a lack of power. This would require the IMF and the World Bank to examine *all* impacts of their activities and lending, meaning both backward-looking for historic harm caused, and forward-looking for

designing new programmes where potential harm can be identified and avoided, for project as well as policy lending. The assessments should be informed by the crucial accounts of affected and marginalised communities, especially in light of the increased need for finance following the effects of Covid-19. It is also important to note that the language of the BWIs' policies has framed our approaches and influences how we think about people whose universal basic rights are denied. Going forward, to be anti-racist must involve being anti-colonial. The BWIs should also adopt language that is anti-oppressive in each context that it works.

Governance reforms that redistribute power:

The quota formula by which the BWIs' vote shares are determined should be re-designed to proactively enhance representation of those countries subject to colonialism and others that have been politically dominated and subjugated. Establishing a [UN sovereign debt workout mechanism](#) would be another much-needed reform. A decolonial approach would mean dethroning the US dollar as the world's reserve currency, and instead maintaining a fairer global payment [clearing structure](#), housed in the United Nations, where each country is afforded an equal vote.

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