Assessing the Bretton Woods Institutions’ legacy
Critical views from the MENA region and Sub-Saharan Africa

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Introduction By Breton Woods Project

The Bretton Woods Project first and foremost extends its condolences to all who have lost loved ones in the tragic earthquake in Morocco and hopes the international community unites in providing those affected by the disaster the immediate and long-term solidarity and assistance required.

The World Bank and IMF will hold their Annual Meetings in Marrakech, Morocco, and the first in Africa in 50 years, during what the World Bank Evolution Roadmap document and former World Bank President David Malpass have described as a ‘crisis of development’. Unfortunately, the Middle East and North Africa (MENA) region, and the continent more broadly, are bearing the brunt of the crisis. UNCTAD’s State of Commodity Dependence 2023 report noted, for example, that half of the world’s commodity dependent countries are in Africa. The 2022 World Inequality Report meanwhile found that the MENA region is the world’s most unequal, with the top 10 per cent of the population holding 58 per cent of the income. The continent and region are also extremely vulnerable to climate change, food insecurity, extreme poverty and – as recent events have made clear – political and social instability. So far, so standard the narrative.

That said, the MENA region and the African continent are also sites of tremendous creativity, solidarity, shared struggle and natural wealth – not to mention a healthy ‘demographic dividend’. How can a continent with such catalytic potential be the focus of such unrealised transformational change and aspirations?

It is the objective of this publication to use the opportunity of the IMF and World Bank Annual Meetings in Morocco to provide a sadly unusual perspective on the above contradiction. It explores and exposes the degree to which the lives of the continent’s inhabitants – contrary to the convenient narrative that places the blame squarely on local factors and lack of ‘good governance’ or ‘lack of capacity’ – have been shaped and constrained by structures beyond their control, and to a significant extent, beyond the control of their governments.

This collection of essays, written by regional authors argues that the hardships faced by the region’s poor and marginalised, and the development challenges faced by its states, are to a significant degree the result of current and historic IMF and World Bank policies and programmes, which support an unjust and extractionist world economic order.

We hope that this publication will in some small way contribute to mobilising regional and international calls for reform of the unjust economic governance structure of which World Bank and the IMF are pivotal elements. As the World Bank executive board considers its Evolution Roadmap and the IMF revisits allocations of its quota system, we are hopeful that this modest compilation will assist those demanding significant reforms that may truly support a just and equitable green transformation in the continent.
The world is going through a set of overlapping crises on top of a climate crisis that is hitting those who did not cause it hardest. Nearly 80 years after their birth, it is clear that the World Bank and the IMF have disappointed: They have failed to bring about significant qualitative change in the world’s poorest countries, nor have they protected the global economic and financial system from recurring crises. In October 2023 and for the first time in 50 years, the World Bank and IMF Annual Meetings are taking place in the African continent, a region that undoubtedly has suffered a lot from BWIs policies.

This article introduces the role of the IMF and World Bank in the global economy, with a focus on the MENA region and Sub Saharan Africa, from their inception after World War II to their failed neoliberal model, the climate crisis and the way forward.

The Covid-19 pandemic and the developments triggered by the Russian invasion of Ukraine have highlighted a set of multifaceted and overlapping crises. The initial health crisis has been compounded by a global economic crisis (rising cost of living, worsening working conditions, debt crises across the Global South, etc.) against the backdrop of a climate crisis that is having dangerous impacts on countries with limited resources that cannot be held responsible for what is happening to them.

Finding solutions to these global problems requires a multilateral framework for coordination and action. The Bretton Woods Institutions (BWIs) – the International Monetary Fund (IMF) and the World Bank – in particular, were created in this spirit at the end of the Second World War. At the time, their purpose was to work towards the orderly reconstruction of a global economy devastated by war. Nearly 80 years after their birth, it is clear that these institutions of global governance have disappointed. Their policies have failed to bring about significant qualitative change in the world’s poorest countries, nor have they protected the global economic and financial system from recurring crises.

Africa, a region that undoubtedly suffered a lot from BWIs policies, will have the opportunity to host the joint World Bank and IMF Annual Meetings from October 9 to 15, 2023, in Marrakech, Morocco. The choice of the African continent for this year’s edition has a symbolic dimension that will not be missed by some. Indeed, the last and only time these Meetings were held on the continent was in 1973, in Nairobi, Kenya. Exactly fifty years ago. To move in the direction indicated by this year’s theme – “Global Action, Global Impact” – it is certainly important to diagnose what went wrong and to suggest avenues for reform.

**Hegemonic politics rather than democracy**

The “original sin” of the BWIs is that, from the outset, they were conceived not as democratic multilateral platforms with a mandate to deliver a global public good but rather, de facto, as instruments at the service of the hegemony and interests of the “victorious nations”, the USA above all. Eugene Black, a former President of the World Bank, wrote in 1965 that the purpose of foreign aid is to create markets for American goods and services, investment opportunities for American companies and to foster the emergence of a global system of free enterprise beneficial to the latter.1 Since the beginning, a “historic pact” made the management of the World Bank and the IMF a Euro-American affair: The President of the World Bank would be an American, while the Vice-President an European; vice-versa for the IMF. Although they have been revised, the quotas and voting rights of the member countries of these two institutions still enshrine the implicit veto power of the United States as well as the countries of the European Union taken together. They reflect neither the demographic weight of the member countries, nor the evolution of their respective economic weight over the last eight decades. The same could be said of the IMF’s Special Drawing Rights (SDRs).2 Since its creation in 1969, this international reserve asset has been allocated among its members based on hegemonic considerations. The unfortunate consequence of this situation could be seen with the last SDRs issuance, which took place in the midst of the Covid-19 pandemic. The low-income countries that needed them most received a very low share (9 out of $650 billion), while the rich countries, which do not need them because of their greater degree of monetary sovereignty, received the bulk of it.3 With its 5 per cent quota, the African continent, home of nearly 1.5 billion people, received less SDRs than Germany with its 83 million population.4 As rich countries do not really know what to do with their SDRs, they try to recycle them in the countries of the South for the benefit of their companies.5

**The devastating neoliberal bias**

In addition to the glaring democratic deficit in the internal governance of these institutions and the often politically biased use of their instruments – as witnessed with the scandal surrounding the Doing Business ranking6 – there is the more worrying question of their adherence to neoliberal dogmas. Here are institutions with sprawling research capacities, they churn out impressive quantities of economic information, enjoy a relative monopoly in the production of global economic data and yet persist in recommending policies that are often counterproductive and, at times, in contradiction with the work they themselves have published. Economist Peter Doyle has denounced the “macroeconomic malpractice” of the IMF,7 from which he resigned in 2012 after observing how his former employer shockingly dealt with the Eurozone crisis.8
Such a bias explains why the policies favored by the Bank and Fund, revolving around financial and trade liberalisation, privatisation and macroeconomic stabilisation, in most cases add to the evil they are supposed to cure. It is thus easy to see why the countries of the South that have managed to come out on top are those that have not followed their precepts, such as China and a number of countries in Southeast Asia. The implementation of structural adjustment programmes in Latin America and Africa between 1980 and 2000 often led to “lost decades”, impoverished populations, deindustrialisation and the privatisation of their strategic sectors to the benefit of private capital from Northern countries. As a result, these countries benefited little from the boom in primary products between the mid-2000s and the mid-2010s. Their higher economic growth rates went hand in hand with an increase in profit and dividend transfers, illicit financial flows and the stock of foreign currency denominated debt. Alternative policies focusing on structural transformation and the mobilisation of domestic resources would certainly have produced different results, had they been encouraged by the International Financial Institutions (IFIs).

When the Covid-19 pandemic, a black swan-type event, put the brakes on this pattern of accumulation, driven first by the boom in primary products and then by sovereign indebtedness to private bondholders and new bilateral creditors such as China – all against a backdrop of unconventional monetary policies in the countries of the North – the response of the BWIs was woefully inadequate. In exchange for its assistance, the IMF imposed austerity policies on governments that needed to spend more to cope with the health and economic consequences of the pandemic. Faced with the imperative task of restructuring sovereign debts that had become unpayable, in a context made all the more complicated by the changing composition of the creditors to Global South countries, the G20 initiatives under the responsibility of the IMF and the World Bank, such as the Debt Service Suspension Initiative and the Common Framework, had mixed results at best. In exchange for IMF’s support, countries such as Zambia and Ghana – who each defaulted on their external debt service – and Chad, have been imposed extremely punitive spending cuts. For example, according to IMF projections, Chad is supposed to achieve primary surpluses (budget surpluses before interest payments) of the order of 5-8 per cent of GDP between now and 2028. This socially regressive pattern of “adjustment” is probably the best way to cement further the least-developed country status of a nation diverting its few resources to face jihadist threat. In most parts of the continent, government budget cuts recommended by the IMF – especially regarding food and energy subsidies – are economically nonsensical and socially disruptive. In such circumstances, one might wonder whether IMF works for global stability or whether its mandate is to promote social uprisings in top of the privatisation of public assets, as can be observed in Egypt.

A risky and dangerous gamble: Positing global private finance as climate savior

Given the IFIs’ unflattering record in promoting economic development worldwide and the stability of the global financial system, sustained success on the climate front seems doubtful. While the World Bank has gradually positioned itself as the world’s largest provider of climate finance to developing countries, its approach is widely criticised. It continues to support fossil fuel projects and tends to exaggerate the amount of its climate financing. Apparently, a significant proportion of the latter is channeled to projects that have nothing to do with the climate or whose climate impact is unclear.

More disquieting than greenwashing is the gamble to make global private finance the main actor in charge of solving the climate crisis and facilitating the energy transition. As part of the Maximizing Finance for Development agenda, the World Bank has set itself the role of escorting global private finance into “investible” projects, i.e. those that meet the risk-return profiles desirable from the point of view of institutional investors such as asset management companies.
pension funds, insurance companies, etc. This development paradigm, which Professor Daniela Gabor has dubbed the “Wall Street Consensus”, requires governments to adapt their macro-financial and regulatory frameworks to the investibility requirements of global private finance, by protecting them from contractual, political, currency and demand risks. While promoting an active derisking state at the service of global private finance, the Wall Street Consensus paradoxically locks it into a fiscally and monetarily conservative macro-financial framework. If we take the case of public-private partnerships in energy projects encouraged by the World Bank, experience shows that this type of approach entails significant budgetary requirements.

The way forward
At a time when the emerging global powers that make up the BRICS intend to propose a multipolar economic and financial order, the BWIs have an obligation to make their aggiornamento. In addition to the need for more democratic internal governance, they must: i) break out of their neoliberal dogmatism when it comes to formulating economic policies; ii) adapt their instruments with a view to preventing sovereign debt crises, facilitating the restructuring of the debts of governments that have become insolvent, and supporting the structural transformation efforts of its members; and iii) promote a macro-financial framework that enables climate objectives to be achieved in a way that takes into account the unequal responsibilities of its members and their differing needs. Without these changes, the BWIs risk becoming irrelevant, or even worse falling into a potentially destructive obsolescence. More than ever, the ball is in the court of the G7 countries, in particular the United States and Europe. It is up to them to realise that the “Bretton Woods” paradigm has outlived its usefulness and is no longer in phase with contemporary requirements.

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To deliver for the MENA region, the IMF needs urgent reform
By Leïla Oulhaj & Shereen Talaat

Over decades, the Middle East and North Africa (MENA) have suffered the consequences of a neoliberal model imposed by international financial institutions, such as the International Monetary Fund. The IMF needs urgent reform to better respond to the current crises of debt and climate in a way that meets the needs of the people of the MENA region, instead of undermining their living conditions and breaching international human rights laws.

This article argues that IMF-supported policies in the MENA region have added fuel to the fire of austerity, food insecurity and vulnerability, as well as gender inequality. It notes that the failure of IMF programmes to bring about urgently required economic transformation and development necessary for long-term economic and political stability both in the region and globally, demonstrate the need for a fairer system capable of providing dignified living conditions for all people, not just the most powerful.

The IMF has imposed a neo-liberal development model on MENA states since the 1980s, with conditionalities and structural adjustment programmes (SAPs) that have pushed most MENA countries to prioritise fiscal balances and debt repayment, leading to sharp reductions in public spending and an erosion of state capacity to guide economic policy. The result has been a persistent commodity dependence, cyclical debt crises and social instability. This has also meant the degradation of the living conditions of the people - notably women - and a reduction in tax revenue, further diminishing state capacity.

In Tunisia, the 1986 SAP weighed heavily on the most underprivileged, due to the significant rise in health and education costs, and the expansion of the informal sector, both urban and rural. Jordan’s IMF programmes reach back to 1989. Yet, their latest 2016 loan programme still mirrors the same policy recipe, while poverty has barely improved and social security systems have been emaciated.

Instead of investing in vital services such as healthcare and education, and addressing climate change, in accordance with their international human rights obligations, many countries in the region are struggling to repay loans. The war in Ukraine has worsened their finances further due to a surge in food inflation that has undermined food security and hit the poor the most. Ordinary people bear the impacts of these shortages, which are the result of global financial and trade systems built on a history of colonial extraction and financial speculation with basic necessities.

Debt and structural adjustment create a never-ending spiral undermining development
The IMF has imposed cuts in public spending, privatisation, currency devaluation, higher interest rates and trade liberalisation, alleging that these policies would lead to economic growth and stability, and thus benefit society. Yet, these measures have failed over and over to improve people’s lives. In April this year, against a backdrop of high inflation, tighter financing conditions and high debt levels, the IMF recommended maintaining a fiscal policy compatible with central bank guidelines to promote price and financial stability. However, governments in the MENA region have very little fiscal space to deal with multiple crises, achieve the Sustainable Development Goals and meet their international human rights obligations due to low tax revenues, while the macro policies chosen to prioritise stability and debt repayment - rarely actual growth - in practice often widen inequality.

In Egypt, the IMF imposed a general sales tax, an increase in customs duties and in public service charges in 1991 to “clean up” public finances and reduce public spending, which led to higher prices of public services. Thirty years later, in December 2022, the IMF approved the latest $3 billion loan, while 60 per cent of Egypt’s population was still considered poor or vulnerable. The loan was meant to help Egypt achieve macroeconomic balance and debt sustainability, a goal that two previous programmes in 2016 and 2020 failed to meet. Instead of supporting debt sustainability, IMF programmes have encouraged a wave of heavy borrowing, often from undemocratic governments, raising questions about the legitimacy of the debt. During the 2016 programme, external debt increased by 20 per cent annually.

Recent negotiations between Tunisia and the IMF over a loan appear to be increasingly compromised, because the IMF is demanding a lifting of state subsidies on basic products, including fuel, which has led to social unrest in the past and likely will again.

Reform priorities for greater fiscal space: Governance and surcharges
Some reforms that could be implemented easily could ameliorate this situation. One is abolishing the Fund’s surcharges, additional fees imposed on indebted countries on top of the usual interest payment and service charges. Currently, 16 MENA states including Egypt, Tunisia and Jordan pay surcharges, with the number expected to increase to 30 by 2025. However, the IMF’s annual income from these additional fees represents a negligible 0.18 per cent of its total
resources available for lending.\footnote{11} Eliminating this policy would give indebted countries valuable breathing room while hardly impacting the Fund’s finances.

Democratising the Fund’s governance in the upcoming 16\textsuperscript{th} Review of Quotas is essential to give greater voice to Global South countries, and to support a more equitable distribution of Special Drawing Rights (SDRs) toward those who need them more. The Resilience and Sustainability Trust created by the Fund to redistribute the 2021 SDR allocation once again does so in the form of loans. Instead of offering the unused SDRs as non-debt creating resources, the RST has further complicated the debt problems of several low-income countries trying to address climate change.

**International solidarity, a prerequisite for addressing multiple crises**

IMF-supported policies in MENA have added fuel to the fire of austerity, food insecurity and vulnerability, as well as gender inequality as women are forced to pick up the slack left by a whittled-down state. The IMF should immediately halt its policies of surcharges and inequality-widening conditionalities, and take better account of aspects of national governance, such as the rule of law, corruption and human rights. The Fund’s new gender strategy must be translated into tangible adjustments of its policy advice when harmful impacts are likely. The failure of IMF programmes to bring about urgently required economic transformation and development necessary for long-term economic and political stability both in the region and globally, demonstrate the need for a transfer of power from the Fund to more democratic multilateral fora such as the UN.

If we want to avoid even greater social strife, hardship and destabilisation, we urgently need a fairer system capable of providing dignified living conditions for all people, not just the most powerful. It is essential that the countries of the Global North take the concerns of the South seriously and chart this new path.

\footnotesize{\begin{itemize}
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\end{itemize}}
Assessing the Bretton Woods Institutions’ legacy

Food security in Africa from a feminist lens
By Leonida Odongo

Food security, a topical subject in a global cost of living crisis marred by rising inflation, is a gendered issue. The continued prevalence of patriarchy means that the control of natural resources like land, the basis of food production, is held predominantly by men. As protests in Kenya against the high cost of living – characterised by high inflation and rising cost of food – took the streets in July, the persistent gendered division of labour and ownership must be acknowledged and addressed in the context of colonial and post-colonial realities.

This article illustrates the central role the World Bank and IMF have played in creating such conditions through historical structural adjustment programmes and current austerity-focused loan conditionalities.

Kenya, like most countries in Africa, is patriarchal. This means that control of natural resources like land, the basis of food production, is held by men. Despite a progressive constitution that speaks of equality, women continue to suffer when it comes to property ownership. Only 1 per cent of women own land titles in their name, and only 5 per cent of women own property jointly with their husbands. 72 per cent of Kenya’s population lives in rural areas, and most of them are women.

The gendered inequities are multi-fold. Compared to men, women cannot easily access credit facilities because they do not have collateral, since family land titles are usually in their husband’s name and are bequeathed along male lineage, while women are actively prevented from and socially punished for accessing land. Access to information about food production and training opportunities is also gendered, as women lack time due to tilling and responsibility for domestic chores. Power determines who produces what and when. In many households, men control cash crops and higher-value livestock, and despite women undertaking the bulk of the agricultural work, men control the proceeds from sales. Women have been subjected to Gender-Based Violence (GBV) when selling farm products without their husbands’ approval, or are forced to engage in transactional sex to access limited natural resources due to climate change.

Cost of living crisis aggravated by IMF-backed tax reforms
In addition to these structural land access inequalities, women are now feeling the heat of the rising cost of living. The prices of basic commodities such as sugar, cooking oil and wheat have soared since the war in Ukraine started. This has been aggravated by a dependency on imports, despite an abundance of arable land, and resulted in waves of protests in early 2023, with nutrition levels and calorie intake deteriorating across families, and many informal food vendors – often women – having to shut down due to rising input costs.

We cannot talk about food inequality among men and women in Kenya without analysing the history of land during the colonial and post-colonial periods. The creation of native reserves – settlements set aside for Africans during British colonialism – meant that subsistence farming in Africa in general, and in Kenya in particular, suffered. Slavery in Kenya’s coastal region also adversely affected local agriculture, as able-bodied people were shipped off. During the era of colonialism, the Swynnerton Plan was presented as a blueprint for the ‘modernisation’ of African agriculture and allocated £7 million for this purpose. It also introduced land consolidation, which resulted in land being in the hands of a few people. Title deeds were also issued. This led to landlessness for those who lost land in the consolidation process, whose target was fertile land. A new crop of ‘progressive’ farmers, who could be offered credit by the British colonial administration and were allowed to grow cash crops, emerged. The objective of the Swynnerton plan was to create 600,000 efficient African farmers. However, this increased land inequality and affected food production. The loss of land meant the inability to produce food, and those who lost land migrated to other less arable land.

The Finance Act of 2023 has introduced new taxes and increased Value Added Tax (VAT) from 8 to 16 per cent on petroleum products excluding Liquified Petroleum Gas. The Act is aligned with BWIs conditionalities as preconditions for loans. It also adds further woes to an already delicate situation, particularly with the increased VAT affecting household food budgets and women, who survive from hand to mouth. The increased VAT directly impacts the transport and industries sector and the purchasing power of Kenyans, which determines food consumption within households. In Kenya, the experience has been that whenever petroleum prices rise, food costs also rise. While tax increases, salaries and wages often remain constant.

Food security undermined by an unequal economic system
The introduction of cashcrop economies and land titles has resulted in individualised land ownership and land appreciation. During independence, land redistribution did not take place and huge tracts of land were taken over by the elite, rendering millions to landlessness and squatterdom.

African women continue to suffer from the negative impacts of structural adjustment programmes (SAPs) brought about by the Bretton Woods Institutions (BWIs) – the World Bank...
and the IMF – in the 1980s and 1990s. In their wake in Kenya, services that were provided by the state to farmers, such as agricultural extension and subsidies, came to a grinding halt due to imposed austerity measures. Market liberalisation policies resulted in the dumping of finished products from Europe and other parts of the world, destroying infant industries and inflicting job losses which directly impacted people’s purchasing power. Government services were replaced by the private sector under public-private partnerships (PPPs), or wholly private ownership. Basic commodities necessary for survival, such as water, were privatised, adding to the burden on poor communities.

Additionally, the BWIs played an important role in the expansion of debt on the continent. Kenya’s external debt keeps ballooning, which makes life more difficult for Kenyans due to high taxes in addition to interest rates. The Financial Year 2022/2023 (dated 30th June 2023) indicates that the public debt burden stands at $70.75 billion. The country’s debt and interest burdens hit 72.6 per cent of GDP and around 28 per cent of revenue by 2023, up from 65 per cent in 2020. The revenue for the same period was $14.4 billion. Rising debt means more taxation, which is often accompanied by BWIs-mandated austerity measures, such as reduced expenditures on education and trimming of the civil service workforce. In the case of Kenya, a press release by the Treasury cited a Kshs 300 billion budget cut commitment. In the case of Kenya, a press release by the Treasury cited a Kshs 300 billion budget cut commitment. The triple burden of taxation and rising cost of goods and services often falls on women, who are responsible for household food consumption and nutrition. It also means cuts are made to public spending on essential social services as governments must prioritise debt repayments over social investments. In Kenya, debt service expenses have increased from $6.8 billion in 2021/22 to $10.4 billion in the financial year 2022/23. Furthermore, this is projected to rise to $14.4 billion in 2024/25.

Debt inhibits food sovereignty because instead of ensuring they have adequate food, countries are forced to grapple with raising domestic revenues and cutting public spending to pay off debts, often denominated in foreign currencies. As noted by the Institute of Social Accountability (TISA), Kenya is not earning enough foreign income from exports and remittances, hence, it cannot manage its import bill, debt repayments and interest payments. Inadequate income results in Kenya having to borrow more as the only revenue to increase access to foreign resources, thus leading to a debt trap. TISA pointed out that the more Kenya’s public debt exists in foreign currency, the more it exerts pressure on the exchange rate, making imported goods expensive and out of reach for most Kenyans.

There is a need for a radical shift in addressing food insecurity, tackling this using a feminist lens. This will help resolve the deep-rooted challenges existing in Kenya and Africa’s food systems. Food is a social phenomenon, and addressing a social issue with a neoliberal business model perpetuates the oppression of already marginalised groups, particularly women and girls. The country needs genuine land reform, which addresses the situation of the landless and squatters, because without land there is no food, and without food, there is no life.

2 Ibid.
7 Ibid.
10 G. Nganga, “IMF pushes Kenya to overhaul three top institutions”, idem 22 April 2021.
How the IMF became part of Egypt’s problem
By Amr Adly

The past decade has witnessed a rising role of the IMF and World Bank in financing and influencing policy and institutional change in a growing number of middle- and low-income countries in the Global South. In the Middle East and North Africa (MENA), the IMF has significantly increased its involvement in Egypt, Tunisia, Morocco, Jordan and Sudan. This was an unmistakable signal of troubled finances and deteriorating macroeconomic conditions in MENA in the wake of the 2008 Global Financial Crisis and the Arab revolutions of 2011 and 2019.

This article discusses the IMF’s engagement with Egypt as a poignant example of the broader abovementioned trends. Whereas the IMF’s initial involvement in Egypt was allegedly to help reform its economy and regain financial stability, just six years later the country is struggling to generate enough dollars to service its huge external debt. Ironically, the IMF has become Egypt’s largest creditor. In turn, Egypt is the Fund’s second biggest debtor after Argentina, owing $18 billion to the IMF.1 Hence, not only has the IMF not contributed to solving Egypt’s economic problem, but it has also become a part of the country’s debt problem.

Despite the IMF’s active involvement in managing the country’s macroeconomy since 2016, Egypt seems to be back to square one. The country needs yet another IMF bailout, inflation is soaring, and the Egyptian pound has gone down by 50 per cent against the US dollar over the past 12 months. Food inflation is at an historic high.2 With nearly half of the Egyptian population living on less than $2 a day, the bulk of their income is spent on food.3 Soaring food prices have therefore had a severe impact on them.

Facing a huge financing gap of $17 billion in 2023/2024,4 the Egyptian government is desperate to attract foreign capital in the form of credit and investments. Much of the sought-after capital inflows will be used to service Egypt’s existing foreign debt commitments, estimated at $22.9 billion in 2023 (with principal repayment making up 73 per cent of the sum).5 With the IMF the country’s biggest creditor, Egypt will be literally raising money regardless of the economic or political cost to pay the IMF, lets it fail to meet its external commitments.

IMF austerity ‘medicine’: Both bitter and inefficient
In 2016, Egypt sought the IMF’s help to stabilise its finances.6 After four tumultuous years in the aftermath of the 2011 revolution, the country had nearly depleted its foreign reserves. It was running huge external and budget deficits, growth was low and unemployment high. A deal with the IMF was reached in November 2016, which involved a sharp devaluation of the Egyptian pound.7 Harsh austerity measures followed, including subsidy cuts and less social spending. In return for its compliance, Egypt received a $12 billion loan from the IMF as part of an external financing package that also facilitated Egypt borrowing an additional $9 billion from international markets.

The three-year deal was deemed a success by the IMF.8 The Egyptian economy showed strong signs of recovery. Growth rates and employment went up. Inflation was brought under control. The economic recovery had admittedly come at a high social cost, with “official” national poverty rates increasing by 5 per cent in four years (2015-2019).9 This was justified, however, as part of the bitter medicine Egypt had to take: A necessary price to pay for longer-term growth and stability.

However, almost immediately after the IMF deal officially expired in late 2019, Egypt ran into further trouble, laying bare the unsustainable nature of its recovery. In March and May 2020, Egypt received an additional $7.9 billion support from the IMF.10

It became clear by that time that Egypt’s ‘recovery’, much celebrated by the IMF and World Bank, was driven largely by a staggering increase in external borrowing – from 30.4 per cent in 2018 to 35.5 per cent of GDP in 2022. During the same period, foreign debt service to current receipts jumped from 15.3 per cent to 23.1 per cent. In absolute terms, Egypt’s external debt stock almost doubled from $79 billion in 2017 to $156 billion in 2022.11 Meanwhile, its external debt service almost quadrupled during the same interval, from $7.3 billion to $26.3 billion.

The IMF’s debt-driven recovery after 2016 provided Egypt with access to international financial markets. Specific features of the IMF deal created ideal conditions for attracting short-term debt. The sharp devaluation of 2016 led to high local inflation rates. This in turn was countered by local interest rate hikes that left Egypt with the highest real interest rates in the world between 2017 and 2021.12 The ratio of short-term debt to net international reserves increased steadily from 24.3 per cent in 2017 to 28.9 per cent in 2021 and 31.4 per cent in 2022, respectively.

This worked well as long as interest rates on the dollar were low. However, as the US Federal Reserve hiked interest rates, combined with the impact of the war in Ukraine, Egypt witnessed a brutal outflow of up to $20 billion between February and March 2022.13 Egypt was virtually cut off from international financial markets from the first quarter of 2022. This created major problems for the country to borrow in the dollars needed to roll over its growing foreign debt.
Egypt’s debt stock is increasingly multilateral

Multilateral institutions currently hold one-third of Egypt’s foreign debt stock, with the IMF’s share standing at 42 per cent of its total multilateral debt. In 2022, debt service figures were predominantly made up of principal repayments (82.6 per cent of service versus 17 per cent for interest payments).15

As mentioned, much of this principal is owed to the IMF and other multilateral lenders that have recently extended medium-term credit to Egypt. This is a serious problem because unlike bilateral debt or bonds, IMF loans cannot be rescheduled or renegotiated, let alone forgiven.

Egyptian external debt by creditor (%) – Average (2017-2022)

Given these deteriorating conditions, Egypt had to restart its negotiations with the IMF, seeking yet another loan. A new IMF deal, reached in January 2023,16 became a precondition for securing capital inflows from the Gulf Cooperation Council countries,17 either in fresh credit or through the large-scale sales of state-owned assets to foreign, namely Gulf, investors.18

The need to reform how the IMF deals with countries like Egypt is clear. The extended engagement of the Bretton Woods Institutions in MENA has only exacerbated long-standing problems of financial instability, social inequality, environmental degradation and rising poverty. In anticipation of the upcoming World Bank and IMF Annual Meetings in Morocco, a mechanism for rescheduling IMF loans - or writing them off in some cases - by debtor countries is badly needed. This is already demanded by a number of global civil society organisations, which invoke the right to development and basic economic and social rights as basis for judging and guiding future interventions of international financial institutions.19 In a similar vein, there have been mounting demands for abolishing IMF surcharges, which are extra costs levied by the Fund on debtors already facing problems paying back.20 IMF surcharges “are estimated to increase IMF borrowing costs on average by 64.1 per cent”,21 penalising the very economies the Fund claims to be helping. In Egypt, one of the countries in the region affected by surcharges - along with Jordan22 and Tunisia23 - the total projected costs of IMF surcharges between 2021 and 2030 is $1.5 billion.24

But, these are just the first steps in a long marathon to make the Fund and Bank meet their international political and economic human rights obligations, and the development requirements of the Global South.

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Africa needs to break free of structural dependencies on the Global North – we need renewable energy sovereignty, domestic food production, and a united industrial policy that prioritises Africans, not exports. The Bretton Woods Institutions (BWIs) – the World Bank and the IMF – have spent decades actively undermining African development, deepening structural dependencies rather than supporting domestic sovereignty, and creating debt spirals that continue to hold Africa back. As they seek to remain relevant in a changing world, incremental reform of governance and addition of “green” and “sustainable” to existing development philosophies is wholly insufficient. If the soon-to-be octogenarian institutions hope to hold a meaningful place in the future of the world’s youngest continent they will need meaningful structural reform and a renewed understanding of what real development looks like.

Encompassing more than a billion people across a rich tapestry of 55 nations, Africa has multifaceted economies, bounteous resources, intricate ecosystems and richly woven cultures. However, even decades after independence from colonial oppression, the continent remains ensnared by deeply rooted structural dependencies and development traps. Africa faces relentless famines, ongoing regional conflicts, failing health systems, rampant unemployment, growing inequality and deepening indebtedness. Against these challenges, Africa must also figure out how to provide energy to the 600 million on the continent that remain without energy access, all while facing the existential threat of the climate crisis, for which Africa is the least responsible but most vulnerable to its effects.

Facing these challenges requires a mobilisation of finance at a speed and scale not yet seen in Africa. However, two key financial institutions in this effort, the World Bank and the International Monetary Fund (IMF), have historically deepened Africa’s dependencies and vulnerabilities, not reversed them. Their Annual Meetings to be held in Marrakech, Morocco, from 9-15 October 2023 – the first to occur on the continent in decades – provide us with an overdue opportunity to set the record straight and address their legacy. These meetings also provide an opportunity to address the shortcomings of the recent Paris Summit, which failed to recognise the need for a complete overhaul of the governance structure and development paradigm of the Bank and Fund.

What the Annual Meetings need to address
To be truly successful, or even relevant, the Annual Meetings must go beyond incremental reform of process and governance and must instead reflect on the ways in which the BWIs have incentivised and perpetuated the Global South’s structural dependency on the Global North. Beyond GDP growth and balance of payments, the meetings should review the performance of these institutions with regards to enhancement of equity and shared benefit, climate and shock resilience, and promotion of decent work. Meaningful evaluation of the contribution of investments and policies compared to actual developmental outcomes, including harm to communities, is essential in this process and must, therefore, be centred in all efforts geared to scale up BWIs’ place in the global economy, including the World Bank’s ongoing Evolution Roadmap process.

The BWIs have created debt spirals by providing loans that fund an extractivist economic model while undermining the resource and fiscal sovereignty of developing countries. Rather than channelling investments into providing food and energy domestically for the Africans who need it, and encouraging the industrial policies and planning that move African countries up economic value chains, many World Bank and IMF policies and loans have kept Africa locked into an extractivist, commodity dependent and volatile economic model. By focusing on trying to drive growth through export of cash crops and energy resources, we have channelled our productive systems into servicing the needs of others: We sell cash crops to import our staple food needs, and sell basic fossil fuel resources to import refined fuels, rather than building our domestic renewable energy capabilities.

This restructuring of our productive systems has turned us into net importers, with a structural trade deficit that in turn puts consistent downward pressure on our African currencies. This has made repaying the foreign-denominated debts we take out to import all the food and energy resources we need even harder. Thus the cycle of indebtedness has continued and deepens year by year as more and more of our fiscus goes to servicing these debts.

The World Bank and IMF have the power to help break this cycle and refocus their investments to tackle these roots of structural dependency. If they fail to recognise this opportunity, they will remain complicit in the cycle of deepening indebtedness and dependency. On the contrary, the BWIs have actively sought
to reduce the role of the state in many countries. Their current plan for incremental reform and the Bank’s Evolution Roadmap fall far short of breaking structural dependencies - instead they remain committed to the priority of the private sector, focusing on derisking further private investment and thus perpetuating the capture of Africa’s productive systems by rent seekers. This plan will continue to undermine African agency over our own development pathways. At the same time, this misguided obsession with private sector-driven development continues to weaken social safety nets that would otherwise promote economic equality, boost access to energy and enhance gender empowerment across the continent.

**Putting the BWIs in context**

African nations have borne the steep toll of global apathy toward the climate crisis, and paid dearly in lives lost, livelihoods shattered and poverty exacerbated. The need for new models of sustainable development are more urgent than ever, necessitating an overdue recalibration of the global financial architecture toward equity. Much has changed since the 1940s when the Bank and Fund were formed – but these institutions have remained stuck in the past with outdated development philosophies that have failed to stand the test of time.

In an era marked by the resurgence of self-determination and the reframing of global norms towards equity and justice, the rationale behind the perpetuation of policies initiated during World Bank and IMF structural adjustment programmes, beginning in the 1980s, warrants scrutiny. Born from a time when sovereign African nations were in their nascent post-independence stages, these programmes were intrinsically interwoven with colonial legacy. Their imposition came at the heel of a lending boom of Western financial institutions to newly independent countries struggling with the legacy of decades of resource extraction by their colonisers. These programmes were often accompanied by stringent conditions and a sense of neo-imperial paternalism, reflecting a skewed power dynamic wherein the Global North wielded disproportionate influence over economic policies of the Global South. This has resulted in Africa being trapped in a cycle where as currencies devalue and import costs surge, governments in Africa find themselves compelled to subsidise essential goods and artificially sustain exchange rates, all while piling on additional debt.

The ongoing climate emergency means that it is imperative for African countries to urgently shift away from dependence on fossil fuel-based energy generation and transition towards a renewable energy future. The just transition to renewable energy has never been more crucial. Africa needs to immediately move away from further investments in fossil fuels that cement energy poverty on the continent, and instead focus on building domestic productive capacity in renewable energy solutions that can achieve cleaner, cheaper and safer energy supply.

Instead of supporting these kinds of transitions to systems of local production, ownership and sovereignty, the BWIs have spent decades focusing on opening African markets to the world and ensuring that we remain locked in as basic resource extractors who see little of the profits, remain trapped at the bottom of value chains, and become heavily import-dependent to meet our full needs. Unless the BWIs can pivot to supporting development that is based on real African productive capacity and resource sovereignty, in line with the Sustainable Development Goals (SDGs), climate goals, and natural and planetary boundaries, there remain very big questions over their role and purpose.

**What it takes to support real structural change**

In the context of climate action, the notion of structural traps underscores the idea that environmental challenges cannot be solved without undoing Sustainable Development Goals systemic dependencies. Merely focusing on surface-level solutions, such as emission reduction targets, without addressing the underlying systems that perpetuate carbon-intensive economies, will yield limited results. Any discussion of climate action, just transition and reform of global financial architecture that does not address these structures that have held us back for decades, are nothing but a distraction. It is imperative to shift from fossil-fuel-dependence to environmentally sustainable models in a manner that safeguards the rights and livelihoods of workers and vulnerable communities. Instead, marginalised groups are often caught in systems that perpetuate inequality. Any attempts at just transition must dismantle these traps by providing alternative economic opportunities and social support.

The call for reform of the global financial architecture further underscores the systemic nature of these challenges. The existing financial systems, with their complex network of institutions, regulations and power dynamics, can either facilitate or impede progress. It’s important to note that decolonising the global financial architecture is a complex and multifaceted process that requires sustained effort, political will and collaboration among all stakeholders. The goal is to create a more equitable and just framework that empowers African countries to effectively address the climate emergency while pursuing their own sustainable development pathways.
To address their legacy and place in the future, the BWIs need to do more at their upcoming Annual Meetings than democratise their internal governance and give more power to Global South decision makers. Meaningful support for structural reform will require them to: i) review their underlying development philosophies toward replacing their outdated model (neoliberalism, extractivism, perpetual growth and private sector-first approach) with alternative development models that focus on human flourishing, sufficiency, resource sovereignty and genuine prosperity; ii) engage and support the discussions around reparations, debt cancellation and reform of international trade regulations and investor-state dispute mechanisms that protect corporations over people in the Global South; iii) mobilise new sources of financing, including leveraging Special Drawing Rights for investments in key productive sectors of food sovereignty and domestic renewable energy; iv) review policies for all projects and investments to include safeguards for communities, human rights protections, empowerment of women, protection of the environment and adherence to planetary boundaries.

Anything short of this will be incrementalism designed to maintain power, not address it.

1 This article is based on arguments inspired by the report, Sokona et al., Just Transition: A Climate, Development and Environment Vision for Africa, Independent Expert Group on Just Transition and Development, 2023.

2 As noted in the UN Global Crisis Response Group’s July report, African countries pay the highest interest on their debt globally, a marker of a highly unequal global financial system: “Countries in Africa borrow on average at rates that are four times higher than those of the United States and even eight times higher than those of Germany”. See: UNCTAD, A world of debt, 2023.

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Assessing the Bretton Woods Institutions’ legacy

Authors

Ndongo Samba Sylla
International Development Economics Associates (IDEAs)
Ndongo Samba SYLLA (PhD) is a Senegalese Development Economist. He is currently employed by the International Development Economics Associates (IDEAs) as the Research and Policy Director for Africa (Dakar). He authored The Fair Trade Scandal. Marketing Poverty to Benefit the Rich (Pluto Press & Ohio University Press 2014) and co-authored Africa’s Last Colonial Currency. The CFA Franc Story (Pluto Press 2021). He is a co-editor of Economic and Monetary Sovereignty for 21st century Africa (Pluto Press 2021).

Leila Oulhaj
CNCD-11.11.11
Leila Oulhaj is an expert in topics of the social and solidarity economy and former professor of the Iberoamerican University Mexico, where she published extensively on issues of inclusion, development, gender and economic justice. At CNCD-11.11.11, she oversees research on taxation including of multinationals, financial transactions, and IFI reform, as well as co-coordinating the Tax Justice Network.

Bhekumuzi Dean Bhebhe
University of Witwatersrand, South Africa
Bhekumuzi Dean Bhebhe is a PhD Candidate at the University of Witwatersrand, South Africa and a 2018 Mandela Rhodes Scholar with several years of experience on building and implementing campaign strategies.

Colin Besaans
Power Shift Africa
Colin Besaans is a South African development economist working on the intersection of alternative development models, climate science, and energy systems. He is the Program Manager for African Energy Transition at Power Shift Africa, a member of the Independent Expert Group on Just Transition and Development, and a research scholar at the Global Institute for Sustainable Prosperity.

Amr Adly
American University in Cairo
Amr Adly is assistant professor in the department of political science at The American University in Cairo (AUC) and the Principal Investigator at the “Pathways from Neoliberalism: Voices from MENA” project. He worked as a researcher at the Middle East directions program at the European University Institute and as a non-resident scholar at the Carnegie Middle East Center, where his research centered on political economy, development studies, and economic sociology of the Middle East, with a focus on Egypt.

Leonida Odongo
Haki Nawiri Afrika
Leonida Odongo is a social justice activist and community organiser from Kenya. She organises community action through an initiative called Haki Nawiri Afrika which focuses on the intersection of food justice, climate justice, gender justice, and youth engagement. Leonida amplifies community experiences through community dialogues, interviews, and article writing. She is a member of the Civil Society and Indigenous Peoples Mechanism for Relations with the UN Committee on World Food Security and a featured Changemaker at World Pulse.

Shereen Talaat
MenaFem Movement for Economic Development and Ecological Justice
Shereen Talaat has been working with local communities around the MENA region for 17 years as a filmmaker and campaigner, monitoring the policies of international financial institutions and holding them accountable on social, economic, climate and gender justice. She co-founded and co-directed the Arab Watch Regional Coalition in 2018, the #EndAusterity campaign in 2020, and in 2023 founded the MenaFem Movement.