The Role of International Financial Institutions in Africa's Development: How the Failures of The World Bank and the International Monetary Fund led to the creation of The African Development Bank

By

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DECLARATION - PLAGIARISM

I, **Nqobile Nhlapo**, declare that

1. The research reported in this thesis, except where otherwise indicated, is my original research.

2. This thesis has not been submitted for any degree or examination at any other university.

3. This thesis does not contain other persons' data, pictures, graphs, or other information, unless specifically acknowledged as being sourced from other persons.

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Abstract

International Financial Institutions (IFIs), are all financial institutions that operate internationally they provide loans to the government for extensive projects, streamlining, and balance of payments to achieve growth and development. IFIs include institutions such as The World Bank, The International Monetary Fund (IMF), and the African Development Bank (AFDB).

The study looked at the role of International Financial Institutions' role in Africa's development, the focus is the World Bank, IMF, and The African Development Bank. The main aim of this study was to look at the correlation between IFIs and development in Africa and the reason behind the establishment of the African Development Bank. The study adopted two theories namely Dependency theory and Neoliberalism to capture the variables of the study. the dependency theory highlighted how the economic history of Africa led to the dependency on developed countries. Based on the dependency model assumption that political and economic power rests in the developed country, dependency theory argues that Africa's dependence on IFIs and developed countries is detrimental to the continent's development. Whilst the Neoliberal theory highlights the link between economic and political freedom.

This was a qualitative study as it is mainly exploratory. A case study approach was used to help examine the data and get a better understanding of the 'why' and 'how' questions. Secondary data was sourced from books, journal articles, official reports, and websites. Secondary data provided a clear indication of the African development banks' role in the African continent. The study contributed to the existing literature by providing insight into the major challenges to Africa's economic development, the role of the IMF and the World Bank in Africa's economic development and how has the African development bank contributed to economic development in Africa.

Although the World Bank and the IMF have good intentions in trying to develop Africa however their actions led to Africa's underdevelopment, poor human growth, and rise in poverty. The SAPs and conditionalities imposed by the World Bank and IMF diverted African economies into free fall. The study showed how the African Development Bank made improvements in Africa such as allowing the continent to be the main players in their development. The study has also shown the challenges faced by the bank because of Africa's context of low growth and small fragmented economies. It concluded by tracking Africa's current development and recommending that the bank promotes economic development, provide capacity development for structuring deals, promote regional stability, private sector jobs need to meet the increasing youth population and focus on one sector at a time.

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List of Acronyms

- ADB: Asian Development Bank
- ADF: African Development Fund
- AFC: African Finance Corporation
- AFDB: African Development Bank
- AUC: Africa Union Commission
- CDB: Caribbean Development Bank
- CFTA: Continental Free Trade Area Agreement
- DBSA: Development Bank of Southern Africa
- DSF: Debt Sustainability Framework
- EBRD: European Bank for Reconstruction and Development
- EITI: Extractive Industries Transparency Initiative
- ESAF: Enhanced Structural Adjustment Facility
- FDI: Foreign direct investment
- GATS: General Agreement on Trade in Services
- GATT: General Agreement on Tariffs and Trade
- GDP: Gross Domestic Product
- GNP: Gross National Product
- HDI: Human Development Index
- HIPC: Heavily Indebted Poor Countries
- IDB: Inter-American Development Bank
- IFC: International Finance Corporation
- IFIs: International Financial Institutions
- IIC: Inter-American Investment Corporation
- IMF: International Monetary Fund
- IsDB: Islamic Development Bank
- LIMCs: Low- and middle-income countries

- MDBs: Multilateral Development Banks
- MFN: Most Favoured Nation
- MIGA: Multilateral Investment Guarantee Agency
- NEPAD: New Partnership for Africa's Development
- NPCA: New Partnership for Africa's Development Planning and Coordination Agency
- NSG: Non-Sovereign Guarantee
- NTF: Nigeria Trust Fund
- PIDA: Programme for Infrastructure Development in Africa
- PRSC: Poverty Reduction Support Credit
- RECs: Regional Economic Committees
- SADC: Southern African Development Community
- SAP: Structural Adjustment Programme
- SDRs: Special Drawing Rights
- SSA: Sub-Saharan Africa
- TDB: Trade and Development Bank
- TI: Transparency International
- TRIPS: Trade-related intellectual property rights
- USA: United States of America
- UN: United Nations
- WHO: World Health Organization
- WTO: World Trade Organization

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Chapter One: Introduction and Research Background

1.0 Introduction and Study Background

International financial institutions (IFIs) are multilateral institutions created to improve economic development, particularly in developing countries (Williams, 2000:10). Through providing loans with low interests to governments in Low and Middle-Income countries (LIMCs), IFIs seek to spurt development in these countries. IFIs also provides support to the private sector in developing countries so that they can also play a role in the development process and poverty eradication efforts.

IFIs include the Bretton Woods institutions, like the World Bank and the International Monetary Fund (IMF). Often, The World Bank and the IMF and their role in Africa have been criticized, particularly how their loans slow the economies of low- and middle-income countries (LIMCs). It is reported that some of the policies implemented by Bretton Woods' institutions had adverse effects on Africa's economies by making them heavily indebted developing countries (Easterly, 2002). This led to the formation of other IFIs to reconstruct the economy without creating more debt and to stop Africa's dependency by providing financial means for Africa to develop. An example of such is the African Development Bank.

The AFDB was established in 1964 to reduce poverty and promote social and economic development in Africa; the bank slowly became the biggest financer to Africa's development. The AFDB and the World Bank are similar as they both give loans and provide African governments with grants as well as private sector investment. The AFDB has more initiatives that promote infrastructure funding as well as regional integration in Africa (Pritchard, 2013).

Despite the AFDB playing a significant role in Africa's development the bank still faces a few problems such as insufficient capital growth and poor governance. These challenges make AFDB less effective in fighting poverty. As such, this study seeks to interrogate some of the challenges that AFDBs faces, its record of success, and growth since its inception.

1.1 Statement of the problem

Several factors contribute to the developmental challenges that affect the stability of several African states. Factors such as bad governance, climate change, underdevelopment, civil and ethnic conflict among a host of others. Significantly, these factors come to intertwine in different shades in different African countries; but they all contribute directly or indirectly to poverty and sum up the continent's problems (Ikejiaku, 2009). Poignantly, while Africa suffers poverty and underdevelopment, it is a continent with an abundance of natural resources

Sub-Saharan Africa faces a huge weight on the challenge of underdevelopment. From low growth domestic product (GDP) to performing low on the human development index (World Bank: 2018). SSA has a population of more than a billion, which is more than double the United States, yet Africa's average real GDP per capita growth is lower than it was in 1970. 2016 more than 200 million Africans did not have access to proper health care, hygiene as well as access to safe water. Some parts of Africa have limited power supply or no supply at all (Marke, 2017:22-28).

To comprehend the relationship between IFIs and Africa's development, and how different IFIs have different impacts on Africa's economy, there is a need to analyse the various institutions separately; by looking at the effects and results that they have had on Africa. The study will look at what role did the World Bank and the IMF play in Africa and the shortfalls of these two institutions. It will also look at the reason behind the establishment of the AFDB while these two IFIs still exist. The World Bank and IMF were formed after the Second World War this was so that the European countries' economies can improve. They began offering conditionality loans to African countries and the main condition was that they privatize their economies and give corporations in the west access to their markets and raw materials for free.

This study will look at how IFI's has had an impact on Africa's development, how the AFDB was formed, what progress has the bank made, and challenges they have faced in achieving their main objectives this includes challenges such as state, institutions as well as a civil society who did not believe the AFDB could fulfill their objective of providing aid to the poor and be able to promote sustainable development.

1.2 Preliminary literature review and reason for choosing the topic

Scholars have been debating about IFIs and their role in Africa particularly Africa's development. IFI critics are concerned about the conditions that IFIs impose on countries that borrow from them. These conditions are often attached, without consideration of the capacity of the borrowing state and their socio-economic circumstances. It is noted that traditional IFIs such as the World Bank and IMF offer African countries many services which would be difficult for them to resist services such as coordination of donors as well as conditionalities on loans that are structurally adjusted as well as debt reliefs with negative impacts. Arguably, there are some positive benefits associated with IFIs. According to Bond and Patel (2000), Africa has the potential to be a developed continent however they do not realize that; they believe that Africa is acquiescent to international financial power; the rise and fall of World Bank President Paul Wolfowitz was the evidence of this.

According to Champaklal (2015), Africa's lack of economic development is not only caused by global institutions. Champaklal believes there are other factors such as the African government have their selfish motives for asking for loans, and they often mismanage the loans procured. Cumulative evidence shows that such malfeasance causes hardships on the citizens of countries with such corrupt leaders. Secondly, financial institutions are not held accountable for what law applies to them as holding them more accountable would give space for the system to run more smoothly. Champakalal (2015) believes there should be more accountability in the system as this would allow it to be more effective.

Again, in Elodie (2016), it is reported that Africa has depended heavily on foreign aid which has led to stunting the continent's growth. In this regard, dependency theorists argue that Africa is too reliant on the West for its growth and development. Even though economic policies promulgated, the aid and loans provided by the West only leave Africa impoverished. Ghosh (2016), believes that there has been an improvement in the continent since the millennium development goals were launched, however, the growth within the economy is still slow, and this results in global uncertainty. African countries' tax system is underdeveloped, therefore raising taxes, and applying those taxes efficiently could help aid in development. Utilizing the tax revenue for human development investment will aid in building human capital and increase growth. A well-built tax system allows the relationship between the government and the citizen to be more reliable. Ghosh (2016) cautions that this progress cannot be achieved rapidly; and as such, development partners and countries in Africa need to work together to make this more effective.

As mentioned earlier that IFIs impact on Africa and how it influences development in Africa has been looked at by different scholars. The reason for choosing this topic is too look at what the term development entails particularly economic development, who or what factors are used in ensuring the development of a state, and provide solutions on how Africa can become more developed. In turn, this study will be adding to existing information. The dissertation will lastly conclude on how IFIs have impacted development in Africa and come up with recommendations on how Africa can become more developed. The AFDB will be the focus reason being the Bank is seen as an African bank therefore it should be able to deal with continents' problems more effectively than other banks. This includes problems such as improving the standard of living eradicating poverty in Africa to do this AFDB would promote capital investments in public and private sectors, programmes and projects aimed at refining development socially and economically (Harmonization and health in Africa, 2013)

1.3. Defining Financial Institutions

According to Bhargava (2006:393) International Financial Institutions or as they commonly known, IFIs are “institutions that provide financial support and professional advice for economic and social development activities in developing countries and promote international economic cooperation and stability.” They do this by giving advice on development projects, providing funding, and overseeing how they are implemented. IFIs are the International monetary fund, and the five Multilateral Development Banks (MDBs); The World Bank, The African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and the Asian Development Bank. The last four are known as Regional Development Banks as they focus on a specific region, whereas The World Bank and IMF are global.

Even though these institutions operate individually, they have similar goals and objectives which according to the Canadian Trade Commissioner Service (2017: para. 6) are as follows:

- “To reduce global poverty and improve the standard of living.”
- “Support sustainable social, institutional, and economic development; and
- Promote integration and regional cooperation”

These objectives are achieved through the provision of loans, grants, and credits to that specific country’s government. These are toward the economic, social, and sustainable development trajectory of a country. It is important to note that IFIs also provide funding to Non- Sovereign Guaranteed (NSG) actors such as the private sector and sub-national government entities (The Canadian trade commissioner, 2017). Similarly, Nipun (2014), suggests that IFIs perform various functions to achieve the objectives mentioned above such as:

- Stabilizing the foreign exchange market: IFIs are required to promote stability within foreign exchange rates of member states. IFIs works on a system that will enable an exchange to be stable by making members agree with a suitable par value that matches their currency. Members of the institution are required to maintain their par value for their specific currency: should there be an increase of 10% and above, the institution should be notified.
- Currency rates and conversions: the institution has currencies of all member countries which allows members to purchase any currency that they require. In other words, the institution arranges for currencies to be converted within the quota limit of each member state. Each year’s member countries can purchase foreign currencies of 25%

their quota the limit is 200%, therefore, the fund gives its member facilities more liquidity.

- Help with short-term repayments: the institution provides foreign exchange resources so that members can meet their short- or medium-term payments if they are having difficulties however, they still monitor these resources; and
- Promote international trade: the institution aims at promoting international trade by persuading members to avoid practices that restrict their currency and trade barriers.

Again, it is reported that each IFI legally, operates independently but different states have membership in several IFIs that cooperate with each other. Multilateral Development Banks (MDBs), provide loans for development in developing countries through

- Long-term loans: matures are up to 20 years this is also based on interest rates of the market. MDBs borrow from international capital markets and lend to the government in developing states.
- Very long-term loans: Maturities are 30-40 years the interest rate is below market rates. MDBs receive funds by taking from contributions made by the government in the donor state.
- Lastly grant financing: which is used for advisory services, to prepare for projects and technical assistance

1.4 How IFIs operate

In the past years, IFIs have made significant progress in terms of how they are harmonizing the range of services they provide. Most traditional IFIs, as well as regional banks, adopt similar policies and procedures in terms of their borrowing process. The proceeding subsections aim to explore these processes and strategies.

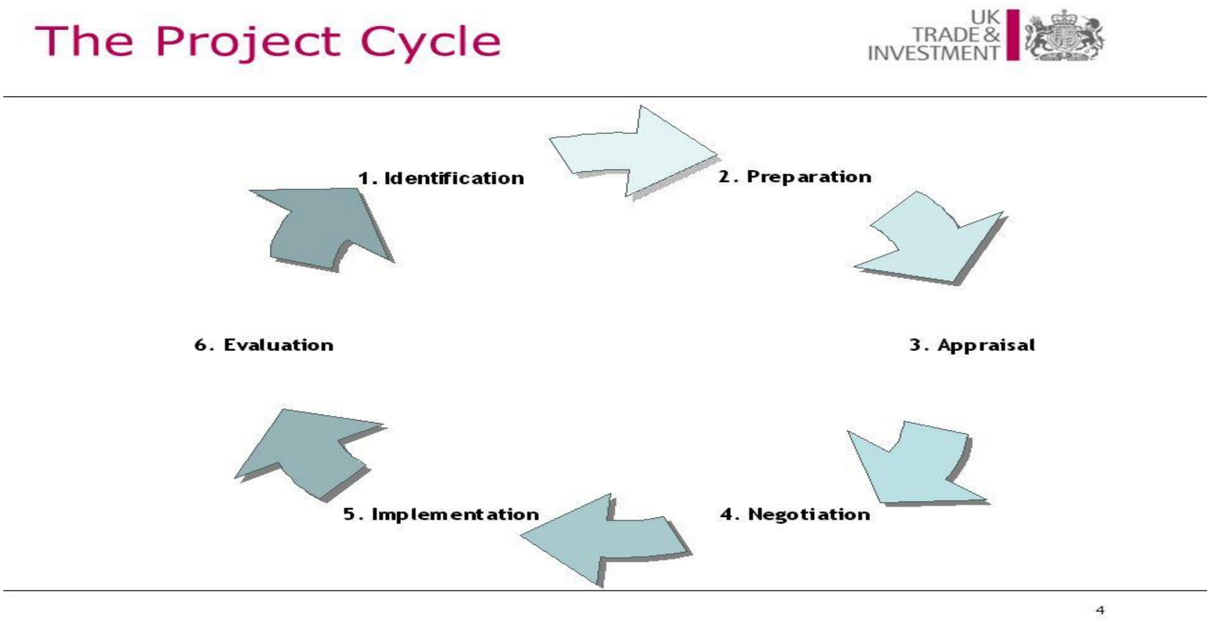
1.4.1 State-centred strategies and Project Cycle

IFIs look at a state's strategy (economic policies amongst other things) as this is important in determining how vital a loan is for that country. The strategy includes understanding what support they require from IFIs and a nation's long-term growth vision. The strategy firstly looks at the causes of poverty in that country and how it can be effectively reduced; and this allows for IFIs to establish a foundation for its future projects which include projects that improve social and economic wellbeing (The Canadian trade Commissioner, 2017)

Projects funded by IFIs are not implemented by the IFI but the borrowing country. The country should, however, adhere to IFIs rules and procedures throughout the project cycle. This is to ensure that funds are utilized efficiently and allows transparency and accountability (The Canadian trade Commissioner, 2017)

A Project cycle has the following stages or process:

Figure 1.0: Project Cycle



Identification allows the state that is borrowing and IFI jointly identify projects that can be developed and implemented to improve the country's development. With regards to preparation, once the project has been identified it is studied further by the IFI and state. The state does most of the job in this stage which includes assessing social and environmental effects. In appraisal, the IFI does most of the job in this stage by conducting an in-depth assessment of the economic, financial, and technical elements of the project. In the case of negotiation, the state and IFI negotiate the terms of the loan which need to be approved by the IFI board after the approval and the country has signed all relevant documents the funds are released. Implementation and supervision come in place after approval. During implementation, the country's responsibility is to ensure the project is implemented; a process that IFIs do not interfere with. However, IFIs do oversee significant decisions relating to the project. The evaluation further allows us to see whether the objectives have been achieved and the funds were used as planned it is thus and accountability, transparency, and progress report process (The Canadian trade Commissioner, 2017).

1.4.2 Private-sector lending

In recent years IFIs have looked at lending directly to private sectors because of their belief that such will promote economic development. Some IFIs even lend to non-sovereign guarantee actors like local governments and municipalities. Loans are provided differently either through funding a country directly or through equities that are privately owned or other existing mechanisms that will help finance a country. The World Bank and the Inter-American Development Bank, for instance, have unique organizational entities called the 'International Finance Corporation (IFC)' and the 'Inter-American investment corporation (IIC)' which is used for their public sector lending. The procedure for public versus private lending is different for every IFI the ASDB, IDB, and AFDB is between 10-25% whereas in the EBRD it takes up most of the lending. Usually, the funds are used for infrastructures like power, transport, and water and sanitation facilities (Monasterksi, 2007).

1.5 Research problem and objectives: key questions to be asked

This study explores the developmental role of IFIs in Africa, focusing mainly on the African development bank. The research is thus guided by the following key questions:

- What are the major challenges to Africa's economic development?
- What role do the IMF and World Bank play in Africa's economic development?
- How has the African Development Bank contributed to economic development in Africa?

1.5.1 Broader research objectives:

The study has the following objectives

- To evaluate the role of IFIs in Africa's economic development
- To identify factors that derail Africa's economic development
- To examine the challenges that the AFDB faces in trying to achieve economic development in Africa
- To explore how the African development bank can finance Africa's transition to inclusive growth.

1.6 Research Design

According to Sileyew (2017:1), research methodology is a procedure that researchers use to conduct their research. Pathak (2008), also has a similar definition to what research methodology is he believes it is a research tool used to evaluate techniques used when researching a specific objective and study. The techniques used in looking at the IFIs role in Africa's development and solutions for the topic will be shown below.

When looking at what a research project entails, there are three things you need to look at data sources, the collection of data, and how the data collected is analysed. Data sources are defined as an element where information about the study is collected (Blaikie, 2000) there are two different types of data sources first is primary data which is information that the researcher collects for a specific research assignment. Secondary data is data that already exists but was not related to the specific research study as it was collected for a different purpose at a different time (Blaikie, 2000). For this study, secondary data was collected, which included books, journals, articles, research reports, and official websites of the banks. Data analysis is an essential reason being it draws meaning in the information collected for the research project.

According to Rose and Irny, (2005: 8), research methodology is “systematic, theoretical analysis of the methods applied to the field of study.” The research used a qualitative paradigm methodology. Qualitative paradigms have an inductive and holistic approach as it provides more detailed findings rather than just explaining and predicting. Using the qualitative approach, the research sets to investigate and understand the theories and approaches relevant to IFIs role in Africa’s development. The research methodology was desktop-based, meaning there was no fieldwork; the research drew its data from existing documents such as journals, books, dissertations, reports, and thesis. Using these different sources allows the research to provide a better understanding of research questions and allows them to be sufficiently answered.

Qualitative Methodology was further used in exploring the research data to gain a clearer understanding of opinions and reasons for IFIs relationship with development In Africa. The data collected in this research was analysed following the objectives of the research, and the key questions mentioned in chapter one. While using the literature review that was integrated into the study, in other words, data was analysed to fit each key question and to achieve the main objective of the study, which was to analyse the role of the IFIs in Africa’s development.

For analytical purpose case-study analysis was used according to Robert Yin (2013), case study research is a research method that involves an up-close in-depth, and detailed examination of a specific case. According to Robert, case studies do not only explain abstract ideas; they also help in providing a picture of real lived experiences. To understand the relationship between IFIs and development, the African development bank served as a case study. The reason why the AFDB used as a case study was to analyse if it had a more positive approach when it came to developing Africa.

1.7 Interpretive research paradigm

According to Pham (2018: 3), the Interpretivist paradigm is "originally rooted in the fact that methods used to understanding knowledge related to human and social sciences cannot be the same as its usage in physical science because human interprets their world and then acts based on such interpretations, while the world does not. Pham believes that the study does not just seek to explore but also to provide interpretation and meaning to people's experiences. Therefore, in understanding that his research explores the role of international financial institutions role in Africa's development an interpretive approach helps to deliver facts and looks at deeper perspectives that were neglected in providing solutions to Africa's development problem. The interpretive design will allow the study to be interpreted beyond the scientific hold of knowledge (Pham. 2018).

1.8 Ethical Considerations

As mentioned above this research is desktop-based, meaning scholarly articles, research theories, and concepts of development were made to have a holistic and inductive understanding of natural environment occurrences. The research relied on primary and secondary data obtained from books, articles, journals, and internet sources to get a clearer understanding of the study in terms of how development is conceptualized and understood by various people. Ethical clearance was received from the humanities ethical committee meaning the research was approved.

1.9. Limitations to the study

Taking Africa's history in mind mainly after they got back their independence, it was a challenge to thoroughly interrogate how IFIs had an impact on development in terms of policies and systems of governance the countries took. The study analyses the process of Africa's development as well as the AFDBs role. A primary limitation of the study is defining development and how a developed state is measured after having basic needs such as basic food, shelter, and clothing. The shelter is the main limitation as modernization and westernization are often classified as development. International financial institutions include many institutions, but the study will be limited to only three, two global The World Bank and the International Monetary Fund, and one regional The African Development Bank.

1.10 Structure of the dissertation

This dissertation consists of five chapters as shown below

Chapter 1: Introduction to the study

Chapter 1 will contain an introduction to the study. It will also provide background information about the research; it will state the research problem and explain the importance of the topic. The chapter will give a brief description of what International Financial Institutions are. Chapter one will also look at the research questions and objectives, the theoretical framework used to describe the phenomenon, research methodology, and lastly, the structure of the dissertation.

Chapter 2: The literature review and Conceptual Framework

This chapter will look at the existing literature on IFI's role in Africa as well as the African development bank. This will be an analytical and descriptive chapter looking at The World Bank and IMF, and how these banks led to the formation of the African Development Bank. This chapter intends to look at the concepts pertinent to IFIs, development, particularly economic development

Chapter 3: Theoretical framework

This chapter intends to look at the two theories that will be applied in this thesis. And the relevance of the theories to the study.

Chapter 4: Delineation of Variables

This chapter will answer research questions, critically analyze the role of IMF and The World Bank in Africa. It will also provide a detailed analysis of the role of the African Development Bank, its achievements, and the challenges thereof.

Chapter 5: Conclusion and recommendations

This chapter will look at where Africa is currently and give recommendations for study in The future. This chapter Will summarise the whole thesis and conclude

Chapter Two: Literature Review and Conceptual framework

2.1 Introduction

Chapter one outlined the purpose of the study. It explained what International financial institutions are. It also provided the background and the research problem, the research questions, and the scope of the research. Africa is still one of the poorest continents in the world and has continued to crack under the weight of poverty, corruption, and war. By the end of 970 through to the 1980s, the failure of many African countries drew the attention of International Financial Institutions to address the ineffectiveness in the continent Scholars believe that this led to many complications as it resulted in globalization which penetrated state boundaries and resulted in the change of the political economy of Africa which was already disarticulated by colonial rule.

The purpose of this chapter is to provide a foundational background of the topic at hand and identify areas that need more attention by identifying gaps in the literature on the role of IFIs and development in Africa. Several studies have examined the link between international relations and IFIs, particularly from a political economy perspective. There are essentially several studies that have affirmed the value of establishing IFIs, like the AFDB in promoting development. This chapter systematically sieves through these arguments and identifies gaps that need filling; how an exploratory case study research like this, can contribute to filling that gap.

2.2 Development

According to Meldon (2018:2), development is the process in which growth, progress, or positive changes occurs or when economic, social, demographic, and environmental components are added. Development ensures that the life expectancy of the people increases and so that employment opportunities can increase, but this must be done in such a way that the environment is not affected. Development does not happen overnight; therefore, conditions need to be put in place to ensure development. The international agenda started looking at development in the twentieth century, where it was clearly emphasized that economic growth would not necessarily lead to an increase in the quality of life for people throughout the world.

Since the term development has been developed many researchers have come up with different definitions of what it is. For instance, Amartya Sen (1999), came up with the capability approach which saw development as a tool that allows people to achieve the highest level of their ability, giving them freedom of action. The Human Development Index (HDI) used the capability approach to measure development. Martha Nussbaum (2011), created the ability approach where women's empowerment was believed to be the main tool for development. When looking at development, Jeffrey Sachs and Paul Collier looked at tools that prevent development in different countries. These tools led them to be poverty-stricken. The tools are civil wars, poverty, and natural resources. Jeffrey Sacks promotes sustainable development, which is one of the four indicators of economic development to be discussed later in the chapter. Sustainable development believes that the standard of living of citizens can be raised through growth and development and by and by focusing on the needs of the environment and coming generations (Meldon, 2018)

2.3 Economic development

Economic development is not only a concept it is also a professional practice as well as an activity. Economic development is a widely discussed topic; the term carries a lot of expectations and essential investment of money from the public. Economic development is difficult to define; however, it is crucial to define it. The first thing to take in mind when looking at the concept of economic development, it is essential to distinguish it from an economic growth concept. According to (Amadeo, 2019 para.3), economic growth is "an increase in the production of goods and services over a specific period," Gross domestic product (GDP) is used to measure economic growth. Economic growth is when low-income economies are changed into modern industrial economies (Kruger and Myint, 2016).

Economic development is broader than economic growth; therefore, economic growth is an aspect of the process of economic development. The issues of economic development are multiplex which poses a challenge in explaining what it entails as there have been different explanations, arguments, and theories trying to define it for this research Kruger and Mints definition of what economic development is will be used, with this in mind economic development will be discussed in detail below.

Economic development became an issue after world war II as the European colonialism era came to an end, countries with a low standard of living and former colonies were considered underdeveloped when these countries made a change in the standard of living, they were renamed developing countries. To further explain and measure economic development, four indicators which are: Gross domestic product (GDP) per capita, the poverty level, life expectancy, and sustainable development will be outlined below. The four indicators will be used to provide a more precise explanation of what economic development is.

2.3.1 Gross Domestic Product (GDP) per capita

According to (Chappelow, 2019), GDP is the total value of the final goods and services that a country produces in a specific time whether it is quarterly or annually. GDP is mostly used to measure the economic activity of a country per capita; it is also an indication of the living standards of a country because it uses the population when calculating. Per capita GDP measures a country's prosperity informally, in per capita GDP rich countries are dominated by small population countries that have a high GDP. GDP per capita is synonymous with per capita GDP.

According to world population review (2018), in 2018 there were four countries in the world whose GDP per capita exceeded the US $100 000 which was Monaco, Liechtenstein, Bermuda, and Luxemburg, which are well known for having wealthy people and smaller populations. America is a stronger country than these small countries as they have the world's largest economy and the third biggest population. In 2018 America had a GDP of $21410230. South Sudan has the lowest GDP per capita, and many other African countries have a GDP per capita that is lower than the US $1000. A nation's economic growth can be consistent, but if the population is increasing more than the GDP, than the GDP per capita will be negative. Developed countries are not affected by this as their economic growth pace is still higher than their extremely low population growth rate (Chappelow. 2019).

2.3.2 Poverty levels and Life Expectancy

Poverty is a significant indicator of economic underdevelopment, the income per capita is low, and income is unequally distributed, in less developed countries people do not get the minimum level of income necessary to survive. Poverty is easier to describe than it is to measure it. One is considered poor if the income they receive falls below a certain level. GNP per capita is used to indicate poverty, and some economist has suggested that indicators of how basic human needs are being met be introduced. Deferent definitions of what basic human needs exist, so there is no exact definition, so the general idea is health care, living standards, food, and clothing (Nipun: n.d).

Life expectancy is one of the most significant indicators of a country's health conditions and its economic development. Life expectancy is the number of years a person is expected to live; this is based on average statistics. Life expectancy differs geographically as well as in era, the life expectancy of people who lived in the world in 1940 is different to people living now as technology develops more. A person's life expectancy is determined by many factors such as lifestyle, health care access, economic status, and relevant morbidity and mortality data. Life expectancy is calculated based on averages; therefore, a person may live for more years than the specified life expectancy in a country (Mandal, 2019)

According to world population review (2018), Japan has the highest life expectancy of 83,7 years, most countries that have low life expectancy are in Africa and are mostly war-torn. The Central African Republic has the lowest life expectancy, which is 45,91 years; it was ranked 187^{th,} which made it the second lowest when it came to human development. The life expectancy of the central republic of Africa is low because it has been facing many health-related problems like HIV/Aids, female genital mutilation, and an outbreak of measles.

2.3.3 Sustainable development

Environmental economists were concerned with how the environment is neglected, which was likely to have an impact on economic development. From this concern, they materialized sustainable development, which is a development that meets human development goals without compromising the ability for future generations to achieve development (Strange and Bayley, 2008:25). In 1987 the UN World Commission of Environment and Development stated that sustainable development is only achieved if future generations' needs are not compromised. For sustainable development to be achieved, there should be progress in three areas at once, which are the economy, environment, and society (Stanley and Bayley, 2008). These three areas are all part of economic development.

2.4 Bretton Woods institutions

2.4.1 The need for an international financial institution

The creation of Bretton Woods institutions was not out of the blue, the idea began years ago where a permanent institution that would supervise the international economy was needed. The Bretton Woods institutions were only created in 1945 due to the instability that was caused by the threat of probable confrontations amongst countries, therefore, disabling permanency before 1945 (Umeonyirioha, 2020)

2.4.2Bretton Woods

World War 2 had big consequences, socially, technologically, politically, and economically. Japan and European countries were hit the most. Their economy and technological system either collapsed or were left in a fire state. Life and property were destroyed. As the war was coming to an end different parties saw a need to establish a system that would facilitate how the economies in Europe and Japan would be reconstructed. Despite the war continuing delegates that were representing different countries met in Bretton Woods. New hemisphere as a result of 1944 the Bretton Woods Agreement was established. The agreement's main purpose was to assist in reconstructing the Major economic systems that were affected by the war (Taylor, 2009).

July 1945 The Bretton Woods Agreement was signed by delegates. The International Monetary Fund (IMF), The World Bank, and the General Agreement on tariffs and trade (GATT) were established. The power of the Bretton Woods System was dominated by the USA. After World War 2 the USA had the most potential economically therefore the US dollar had high purchasing power and it was the only currency backed by gold which made it stronger. Another reason that made the US dollar stronger was the European Nations being so highly in debt that they had to transfer a large amount of Gold to the United States. USA dominance was also evident when their ideas on the Bretton Wood System were more accepted than those of Great Britain (Taylor, 2009).

2.4.3 Bretton Wood Institution Structure

The new pillars of Bretton Woods Institution were the IMF and the World Bank as mentioned above. Despite the exchange system mentioned earlier collapsing in 1971 Bretton Woods Institutions continued to be important in global finance. In 2009 countries that had balance if payment problems or countries that need to improve their infrastructure did not have many options if they wanted funds within the global environment. Countries either went to IMF's or the World Bank when looking for funding. Bretton Woods Institutions operate separately in terms of policies and conditions on loans. There has been an issue with merging the function of the two Institutions however this did not change that the World Bank and IMF have different primary objectives and different policies in achieving hear objectives. IMF preserves its independence from the World Bank (Rouke, 1997).

International Monetary Fund

The effects of World Wars I and II led to physical and economic destruction in Europe and the United States. This led to a desire to create an International Monetary System that would make the currency exchange rates stable so that currencies do not have to be backed by gold. More so, the balance of payments deficit frequency and severity can be reduced and to remove trade policies that are destructive like foreign exchange restrictions. It was necessary though to allow countries to pursue economic policies independently. In July 1944 the UN monetary and financial conference in Bretton Woods was held and 44 countries were represented by different delegates the article of the agreement was drafted where the international monetary fund that would oversee the new International Monetary System was proposed (McQuillan, 2018:3). On the 27th of December 1945, the IMF was formed which is "an international organization working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world". By 1946 the IMF had 39 members and on the 1st of March 1947 IMF began operating financially, France became the first country to take a loan on the 8th of May. The IMF played a significant role in the international economic system it allowed it to rebalance the building of capitalism as well as embedded liberalism. More members joined the IMF which increased its influence on the global economy. This was evident when more African countries were attaining independence and the dissolution of the Soviet Union in 1991 as most countries in this sphere of influence did not join the IMF.

Harry Dexter and John Maynard Keynes had different views on the role IMF would play as a global institute. Dexter wanted the IMF to function more like a bank, this would allow countries that borrow from IMF to pay their loan in time. Keynes wanted the IMF to be a cooperative fund where countries that are members could draw so that employment and economic activity can be maintained through periodic crises. This view wanted an IMF that would help governments (Somanath, 2011:79).

The IMF has a system called surveillance that prevents any crisis from arising within the international monetary system and ensures stability is maintained by monitoring member country's policies, the global economy, regional, national, and financial developments. IMF ensures economic stability by promoting policies and providing advice to states on these policies. Such support and consultations help to reduce vulnerability and foster economic stability in the event of any socio-economic crisis. The main objective of the IMF is to provide loans to states that are experiencing a balance of payments problems (International Monetary Fund, 2018).

Each state has its adjustment programme which is created together with the IMFs ongoing financial support which lies on how effectively these adjustments are implemented. Technical assistance and training are provided by the IMF so that countries can strengthen their economic institutions and human capacities, like introducing policies for the tax that are more effective, managing how funds are spent, and supervising the financial system (International Monetary Fund, 2018).

Special drawing rights or commonly known as SDRs was issued by the IMF which can supplement official reserves of states. The SDR is not a currency or a claim on the IMF but aims at reducing their reliance on external debt. Developing countries can use the SDR as a cheaper way of gaining foreign currency reserves rather than doing it through expensive ways like running or borrowing current account surpluses (International Monetary Fund, 2018). International organizations such as the AFDB, AMF, IDB, and The Bank for International Settlements use the SDR as a unit of account by doing this local currency fluctuation do not have that much of an impact on them. SDR is only for members of the IMF and cannot be used by individuals, corporations, or investment countries (Heyes, 2018:1).

The IMF created a quota system which is where they get most of their funds. Every member within the institution gets a quota that shows the country's size within the global economy which will determine the country's voting power. Therefore, the contributions that each government that is a member will determine their voting power so wealthy countries tend to have more say when it comes to rulemaking (Nistan and Babb, 2009:459). The IMF currently has 189 members and is accountable to them. The IMF has a board of governors which consists of one governor and alternative governor from every country that is a member. IMF-World bank annual meetings are held once a year where the board of governors meets (International Monetary Fund: 2018)

The IMF had a hard time kick-starting economic growth and development and policy reform in Africa this was shocking considering how powerful the IMF is. African countries that have taken loans from the IMF have been affected negatively as they are far from achieving the desired economic growth and development. Economic development has failed in Africa because of the construction and operation of the institution. African countries do not have much voting power so that they can challenge any incentives or policies which they do not agree with. Critiques argue that in the past the IMF did not accept any criticism which made it arrogant and unable to face reality with regards to failing projects. One may argue that though the IMFs intentions were good its controversial nature stems from its policies failing in Africa due to poor planning (Bhargava, 2006).

The World Bank

Because of World War II, European countries needed help, this led to the formation of the World Bank in 1944 at the Bretton Woods Monetary Conference. World Bank is an international financial institution that provides loans for its members for reconstruction. France was the first country to receive a loan in 1947, soon after more members provided financial support which enabled the bank to shift its support to other members like Africa and Asia (Bhargava, 2006). Currently, there are 189-member countries in the bank all aiming to fight poverty worldwide through sustainable solutions (The World Bank Group, n.d). The World Bank consist of five separate organisations: The International Bank for Reconstruction and Development, The International Development Association, International Finance Corporation, The Multilateral Investment Guarantee Agency, and The International Centre for settlement of investment disputes (The World Bank Group, n.d). When the bank was formed due to funding the loans, they provided for reconstruction were relatively low as they still needed to instil confidence in the bank. In 1948 the European recovery programme now known as The Marshall Plan was introduced to rehabilitate 17 western and Southern European economies to stabilize the conditions so that democratic institutions can survive (Clemes and Kremer, 2016)

In the 1970s the bank focused more on the needs of people in developing countries as the number of loans being approved increased during this period the loans expanded to other sectors like social services rather than just focusing solely on infrastructure. By trying to alleviate poverty the bank gave rise third world debt in 1982 Mexico could no longer pay its external debt poor countries had to sacrifice when it came to public spending so that they can pay their debt. According to a World Bank study by 2010 external debt in poor countries was at approximately 4 trillion dollars this amount at the time represented 21% of the gross national income of these countries (Mead: 2012, 5)

In 1980 the World Bank administrative tribunal was formed by the bank's board of governors to decide on staff member application alleging non-observance of their contract of employment. In the late 1980s, the bank received a lot of criticism from many groups they included non-government organisations as well as environmental groups to improve its development policies. The Washington Consensus was introduced which according to (Williamson, 2004:1), is "a list of ten policy reforms, which were widely agreed in Washington to be desirable in just about all countries of Latin America as of 1989."

Washington consensus is the belief that developing countries should use market-related strategies to achieve economic growth which will benefit everyone. The World Bank and the IMF promoted this view by having policy conditions which were known as structural adjustment programmes and stabilization to the loans they provided. The Washington consensus became the standard package of advice which was attached to loans. Critics have argued that the policies were not of any help and did more harm by imposing harsh conditions on developing states. Some economist believes that free trade would not benefit developing country's economies. One of the biggest critiques of the bank Joseph Stiglitz believed that the Washington consensus was not productive for the economies it was targeting and would lead to devastating results for their population (Stiglitz, 2002: 34-43).

The bank critiques claim that they failed to look at the impacts of their social and environmental projects an example is the Lesotho highlands water project according to (Reeh, 2012), the project was to benefit both Lesotho and South Africa by supplying Johannesburg with water to decrease poverty instead the project did not benefit the people as it was meant to. There was no control and regulations on the funds for the project with regards to how they would be distributed this led to the disappearance of some of the funds. The World Bank came up with a solution that due to the issues that arose from this project any compensation programme must go hand in hand with those affected rather than a top-down approach where they start with high-level development and end with low-level development.

Furthermore, the bank which is one of the most powerful institutions had issues of internal corruption, the banks then President Paul Wolfowitz was part of a corruption saga. Wolfowitz and the board were part of vicious warfare that some board meeting minutes had to be changed so that the world would not know what was going on. The other scandal involved Wolfowitz giving special consideration to his girlfriend at the bank this led to his credibility being questioned which later led to his resignation. Robert Zoellick than came into power and managed to calm the situation he gave out loans to poor countries so that they can survive. Within 5 years of being in power half of his top managers were women, he came up with an open data programme where the bank's old data and surveys were to be made available for free except sensitive stuff. According to (Behar, 2012), Zoellick picked up where Wolfowitz left with regards to corruption, companies like Germanys Siemens and Britain’s Macmillan publishers were debarred for corruption and bribery reason being Zoellick enhanced the budget and increased the investigators so that they can help fight corruption.

The bank claimed that they did not have enough evidence to act against the offenders. Although the bank put measures in reducing corruption it focused more on prosecuting big multinational corporations that were corrupt, where the bank's projects were concerned. According to International Rivers (nd), 12 multinational firms bribed the CEO of the Lesotho highlands water project its impact was a detriment as mentioned earlier many families were left weak due to displacement.

2.4.4 Problems and Criticism of Bretton Woods Institutions.

The idea of multilateral cooperation as well as opening markets worked well. However, the Bretton Woods institution was criticized for the neoliberal economic policies that included austerity, privatization as well as financial deregulation. IMF faced criticism because they forced debtor countries to have open markets and have weak labour protection. Before the financial crisis in 2008, the need for the IMF was questioned however the crisis changed the doubt as IMF played a big role in cooperating with the central bank as well as finance ministries. Bretton Woods Institutions are still faced with governance issues as emerging economies still feel like they are not represented enough in the organization's governing bodies. Another problem is the arrangement between Europe and the US although it is informal, they get to name the heads of the different institutions where the IMF's managing director is chosen by America. Emerging economies want the IMF to increase their shares and protect African Countries' shares. This will however decrease European countries shares (Mazumdaru, 2019)

IMF critics believe that instead of fixing its failures the fund continued to cause more problems. George Soros was the biggest critic of IMFs neo-classical economic doctrine he argued that IMFs strategic operation lies in the explanation of economic relations which becomes the instruction for developing nations and those countries that are dependent on IFIs. Countries asking for help from the IMF were imposed with illiberal concepts. Pleasers of the IMF such as Sarah Babb who is her Journal of The Washington consensus as a transnational paradigm believed replies by stating that the IMFs approach Stems from a free market and market economy. She saw the need for the Washington consensus, this will end countries economic problems (Babb;2012:270)

Quick privatization was not beneficial, corrupt politicians use the demand of IMF for quick privatization to purchase electro-energy and companies that provide water in their respective countries. This has a negative effect on the workers' reason being they were fired without getting paid. After these measures' unemployment increased. The international power elite put IMF under its authority which would allow it to regulate national economies and to campaign for globalization. The IMF increased its role and campaigned for neoliberal

theories. Custom duties were decreased, barriers were eliminated a free market was established this was all at the expense of domestic production. IMF and financial globalization made a big mistake (Donlagic and Kozaric; 2010:122)
Harvard University professor Jeffery Sachs believes that there is no need for international financial institutions as they fail to serve their purpose. He is more critical of The World Bank than the IMF. Sachs believes that Western countries should provide more financial resources for programmes that will alleviate poverty. Sachs also believes that the wall street bankers had a big influence on IFIs (Sachs;2018)

China

Ebbighousen believes China is rising economically and shifting away from the dominance of the US this has strained the system. China has created the "New Silk Road" which is an initiative that aims to improve the connection between Asia, Africa, Europe this will be done by creating a Web of transport and different physical infrastructures such as roads, railways, and seaports in different countries where the ancient silk road route will be used (Ebbighousen;2017). Bruno le Maire who is the Finance Minister in frame believes that the Bretton Woods order as we know it has come to an end unless it is reinvented. According to le Maire if this is not done than Chinese Standards on things such as public procurement access, state and could be the new global standard (Thomas, 2019).

American

American president Donald Trump created America's first policies where they have exited the global stage by sitting on the side-lines during major world crisis and international collaboration an example is in June 2020, America stopped issuing some immigrants with visas for work or new green cards at claims they are taking jobs from American citizens who need them as a result of the Covid-19 Pandemic. Big companies such as Apple and Microsoft were against this as they depend on International Skilled Workers(larres,2020). In May 2020 despite America leading Covid-19 infections, Trump Cut Works Health Organization Funding despite WHO spearheading the response to the pandemic. (Larres,2020) America first is seen as a rejection of what multilateralism and international cooperation is about these two are what defines the Bretton Woods. It is believed that all this may result in conflict and instability

Democratic Governance

In the book “Accountability, Transparency, and Democracy in the functions of Bretton Woods Institutions” DE Martino and Lepore believe that political power imbalance is another major problem in the institutions. They promote economic policy conditions that are recommended when taking a loan or require technical assistance. These policies undermine the borrowing countries' sovereignty as it limits the country’s ability in making policy decisions and eroding ownership of national development strategies. The IMF and World Bank have been criticized for the role played by political expediency of important shareholders in the decision making as well as intervention choices such as dictatorship support (De Martino and Lepore: 2017) Mazamdaru agrees with De Martino and Lepore he believes the IMF broke its own rules and supported the Greek loan programme. This was not seen as a rescue for Greece but rather a bailout for private debt holders in Greece which many involved European financial institutions. The World Bank created the maximizing finance for Development which was an approach where the bank would public resources to subsides private investment. This shows that the institutions have changed the role of the store to create an environment that makes it possible for private sectors to pursue their objectives (Mazumdaru, 2019).

In 2001 the IMF created the independence evaluation office (IEO) which was formed to evaluate the policies and functionalities of IMF to improve their credibility and learning structure. In 2006 the World Bank Created the Independence Evaluation Group (IEG) so that different accountability mechanisms could be integrated, and the World Bank activities can be monitored. Despite the creation of IEO and IEG the two institutions were criticized because they failed to implement the recommendations given to them (Mazumdaru, 2019).

Human Rights

Bretton Woods Institutions were criticized for their policies and programmes that they enforce which undermine some human rights. In 2015 the UN special Rapporteur labelled the World Bank as a "Human Rights Free Zone". After the 2008 financial crisis, the institutions adopted a pro cycling approach, this led to less economic activity, public revenue decrease, decrease investment in public service, and an increase in inequality which affected the growth rate. The institutions are criticized for supporting policies that are created to be in favour of societies at the bottom whose human rights are already violated (Mazumdaru, 2019).

Seventy-Five years later and Bretton Woods institutions portraying themselves as having vast knowledge and being experts on development and macro-economic issues the instructions are still criticized by different scholars and civil society. This is evident in resistance and mobilization from the civil society and different movements such as "50 years is enough" in 1994 or the campaign created in 2018 named "People's Global Conference against IMF-World Bank. Major criticism stems from the institution's inability to achieve their stated objectives but rather they support economic order beneficial to the elites as well as the private sector at the expense of the proof.

2.5. Regional development banks

2.5.1 How Regional Development Bank's emerged

According to (ottenhoff;2011,1) regional development Banks are multilateral financial institutions that provide financial and technical assistance for development in low-and middle-income countries within their region. Many institutions fall under RDB's. The term refers to four main ones which are the African development bank, the Asian Development Bank, the Inter-American development bank, and the European Bank for reconstruction and development. (Ottennoff;2011)

The banks were formed for two reasons, firstly there were development needs specific to regions therefore each region needed their institution to carry out these needs. Secondly, there was a difference in the developed country's interest in developing countries, particularly political arena interest this conditioned their commitment levels to those regions. In the beginning, RDB's were established so that poor countries can have a way in how international development finance (such as which projects would be selected and financed) is managed. In the beginning, the four main RDB's held their intention and met the demands of poor countries this helped them reflect more on their understanding of the development process. This resulted in developed countries hegemony in works economy to be challenged as there were a neo-colonial resistance and political demand from poor countries to want to have their institutions (Advogados, 2020)

2.5.2 Four Main Regional development banks

- African Development Bank: Founded in 1964 has 54 African and 26 non-African member countries. The main aim of the bank is to improve social and economic progress in Africa (Kenton, 2019)
- Asian Development Banks (ADB): In 1966 The Asian Development Bank (ASD) was founded by 31 members it is a multilateral development bank currently the ADB has

68 embers 49 are from the pacific region and ASIA. The bank's headquarters are in the Philippines in Manila. ADB's mission is to reduce poverty through sustainable growth, increase growth amongst its members as well as for its member countries to co-operate with each other (Beers, 2019).

- European Bank of Reconstruction and Development: EBRD is an international financial institution that was formed in 1991, the bank was created a multilateral investment bank for development, its primary tool is investment this helps in improving market economies.). EBRD had 68 members but was joined by India in 2018 making it 69 (EBRD, 2019)

- Inter-American Development Bank: Established in 1959 as a development institution the Inter-American development bank (IDB) is the oldest regional development bank. It was established to improve economic and social development for Latin America and Caribbean member states as well as to improve regional integration. Currently, the bank has 47 member countries. The headquarters are in Washington DC (Kagan, 2020).

2.5.3 Regional Development Banks Lending

There are two funds for regional development banks the first one is the hard lending window which assists financially through loans, whose terms are market-based. The second one is the soft lending window which provides loans that are concessionally high, (meaning the interest rate is low and the period to repay is longer) as well as grants. Soft lending is mainly for poor countries. The loans usually do not have interest and mature after 25-40 years. The amount that RDBs lends changes annually depending on demand (Ottenhoff, 2011: 3). Lending across all RDBs has increased because of the recent COVID 19 pandemics. Late March the AFDB raised $ 3 billion for its social bond to fight the pandemic. Currently, the AFDB has provided 3,5 billion dollars to different national and subregional projects in Africa. In April, the ADB created a support package of 20 billion dollars for its member states (Economic News, 2020).

Regional Development banks funding source

The RDBs obtain funding from different places depending on whether it is the hard or soft lending window. The hard lending window has a AAA credit which allows them to borrow from international capital markets at a favourable rate. After they borrow the money, they relend it to developing countries. The hard lending window model allows RDB's to have low-interest rates, however, they need to slightly raise their price for their operational expenses and get funds for poor states. The soft lending window on the other hand receives finance from rich donor countries who make contributions that are replenished every 3-5 years. Some RDB's take some of the surplus net income from non-concessional lending to fund concessional aid programmes (Ottenhoff, 2011: 3).

2.5.4 Governance of RDB's

RDB's are owned by the state and the members oversee functions of the bank. Regional or non-regional states can be members. A country's voting share is determined by how many members they have, their economy and how much money do they contribute. AFDB and the IDB are to RDBs are still dominant by economies that are advanced, this is evident in AFDB and EBRD having major European economies, US, and Japan part of it. The US has a dominant presence in all RDBs as it is a member of all RDBs. Despite advanced economies' presence in RDBs they still okay a major role in representing the poor countries and their needs in their respective regions. This allows poor countries to voice out their concerns and interest. Considering the small voice that poor countries have in the international system, RDBs help them to form an equal representation system (Strand, 2015)

2.5.5 The problem of Abundant Capital in RDBs

Lack of finance for developing countries is still a major problem. Developing countries receive a large amount of FDI-driven capital, the major problem is whether the capital inflows are beneficial to the goals of achieving development. International development finance has grown it's share in lending for private banking as well as Foreign Direct Investment, however, a problem with this form of finance development is that it is not necessarily driven by the motive behind the development. This is caused by developing financial resources that may ignore regions that have an investment risk regardless of them having poor economic development. Institutions that have a development gap do not benefit from FDI this is evident in how the flow of FDI as finance for development is situated in certain countries. US and China account for a significant part of global FDI inflows in developing countries. Regions with low development do not receive private capital this is caused by investment risk, which is a result of political turmoil, insecurity, and servicing their debt. In some cases, regions with low development manage to get an inflow of FDIs they mainly go to traditional sectors that have demonstration impacts that are quite low. (Hinds, n.d)

Another problem is that the inflow of FDIs to developing countries is based on export-oriented enclaves which include primary production, there are little job opportunities and a productivity and technology gap exists. Current FDI trends are questionable reason being they hardly meet the development needs. They hardly contribute to job creation of technological or industrial advancement. Private investment in developing countries is still an issue today as it was in 1950 when it was identified by the United Nations.

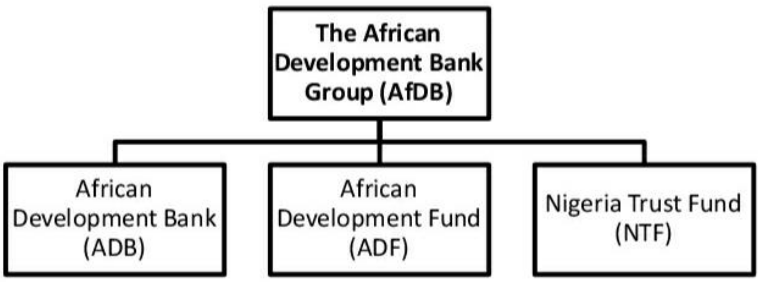
capital goods between member countries (Islamic development bank, 2019).

2.6 African Development Bank

On the 10th of September 1964, the African development bank (AFDB) was founded at the time its headquarters were in Abidjan Cote d'Ivoire. Thirty-three African countries established the bank many of these countries had just achieved independence. According to (overseas development institute, 1992:1), the African development bank is a big financial institution in a continent whose economic performance is weak. The bank founders wanted an institution that would deal specifically with African problems and would be controlled by Africans. They wanted an institute would help face economic constraints. The bank does give preference to loans that would result in more than one country benefiting from them. According to (Kenton, 2019), the AFDB currently has 80-member countries 54 of them are independent African countries often referred to as regional members and 26 are non-African countries often referred to as non-regional members. Despite having non-regional members, the bank maintains its African character the headquarters are always in Africa and their investment operations take place in Africa.

The AFDB was also created to address issues like the nature of lending as well as the terms of lending to low-income countries more specific projects that required long-term maturities like health, education, or road infrastructure. The AFDB includes two other entities the first one is the African Development Fund (ADF) and Nigeria Trust fund (NTF) (AFDB, 2013:7).

Figure 1 African Development Bank Group



Source: afdb.org

2.6.1 African Development Fund (ADF)

ADF was established in 1972 and began operating in 1974. ADF consists of 32 countries that contribute, and 38 countries being aided by the fund. According to (the African Development group: n.d para. 5) ADF is "the concessional financing window of the bank group that provides low-income regional member countries with concessional loans and grants, guarantees as well as technical assistance for studies to support programmes that reduce poverty and support economic growth." The general operations of ADF are decided by six board of directors which non-African member states pick (AFDB in brief: 2013:7). In following AFDBs mission ADF's main aim is to reduce poverty in Africa. ADF receives its funds from contributions made by participating countries. By 2014 $22,8 billion US dollars was invested in the fund, members agreed that 5,35 billion US dollars could be added to cover its operations from 2014-2016. Interest rates for ADF loans are 0% and only charge 0,75% a year for service, charges 0,5% for a commitment fee, and gives borrowers a maximum of 50 years to pay back loans. The low-interest rates, as well as the low service and commitment rate, allows the ADF to be the cheapest in global markets and easier for African countries with low credit ratings to access it. (Bungane, 2019)

in the last 45 years, the ADF has played a significant role in developing low-income countries in Africa. According to (Bhungane, 2019), ADF has made changes such as:

- 10,9 million people were able to gain access to electricity
- 90 million people more than 40% being women received agricultural infrastructure
- 66,6 million people were able to gain access to markets and more countries were connected through this fund
- 2300km cross-border roads were rehabilitated which led to an increase in regional integration
- More than 35 million people gained access to water and sanitation.

ADF is now on the 15th replenishment known as the ADF-15 which will cover 2020 to 2022, the ADF-15 will support struggling African countries by focusing on the root cause of their problems such as climate change, governance, creating employment, and private sector lending. The ADF-15 increased by 32% which shows that there's significant trust in the fund. ADF-15 will look at two critical areas first one is the infrastructure of high quality and that African countries can sustain this will result in improved regional integration. The second one is developing human governance and developing institutions to create job opportunities (Bungane: 2019)

2.6.2Nigeria Trust Fund (NTF)

The second entity is the Nigeria trust fund (NTF) which was established in 1976 by the government in Nigeria the main aim of NTF was to help with development effort in poor AFDB countries. The NTF provides funds for projects that are important whether nationally or regionally which helps with the economic and social development of low-income countries as their situations require non-conventional terms financing. The main objective of the African bank is to aid in Africa's social and economic development they do this by promoting public and private investment in projects and programmes created to decrease poverty and improve the standard of living. Eliminating poverty is at the heart of the bank so that they can achieve sustainable growth (AFDB, 2013:8).

Funds received from NTF can be used for operations approved by the ADB or the ADF they can also be used to fund projects that are not under ADB and ADF in both private and public sectors. Each project is given US$ 10 million. NTF provides concessional loans to low-income countries using the Debt Sustainability Framework (DSF) to classify them. In 2005 the executive board members of the IMF approved the Debt Sustainability Framework (DSF) which was, a tool that the World Bank and IMF created to analyse public and external debt sustainability. The main aim of DSF is to guide low-income countries on decisions they make when borrowing this will ensure that the funds received matches their needs as well as ensure that they can pay back their debt (International Monetary Fund, 2018)

Debt Burden Thresholds and Benchmarks Under the DSF					
	PV of external debt in percent of		External debt service in percent of		PV of total public debt in percent of
	GDP	Exports	Exports	Revenue	GDP
Weak	30	140	10	14	35
Medium	40	180	15	18	55
Strong	55	240	21	23	70

Source: International Monetary Fund:2018

The DSF classifies countries into three debt carrying capacities categories which are strong, medium, and weak. The DSF than establishes three indicative frameworks which are PV of external debt in percent, external debt service in percent and PV of total public debt in percent of and lastly DSF establishes five debt burden indicators. Using the above threshold countries can then be grouped into four categories low, moderate-high risk, and in debt distress (International Monetary Fund, 2018).

Unlike the ADF, NTF resources are not allocated to countries but rather to projects according to (African development bank group: n.d), NTF resources can be used for:

- Operations of concessional loans that take years to mature
- Operations of concessional loans that mature in the short-term
- Operations within the private sector

2.7 African Development Bank funding

The AFDB obtains its resources from extraordinary and ordinary funds this includes member's capital subscription, the income they get when a country pays back a loan, funds they raise by lending from international financial markets, and lastly income they receive somewhere else like income for investment. The bank managed to manage special funds as well as being able to establish special funds the decision to open the bank’s capital to other countries either than those in Africa proved to be positive in terms of the structure of capital as well as membership, by May 2010 the banks’ capital resource tripled.

In the past when it was first formed the bank's operation was mostly based on project lending. The economic circumstances of regional members were changing in 1980 the bank made it is lending more diverse by using several lending instruments. The first one is project loans which were investment maid to increase identifiable outputs. The second one is lines of credit which were funds that aimed at small and medium scale enterprises. Thirdly is sector investment and rehabilitation loan investment that were used to strengthen or rehabilitate specific sector planning, marketing, or production capabilities mainly for financing imports these three are known as programme lending. The fourth one is sector adjustment loans which support change in policy or reforms in a sector of an institution; the fifth one is structural adjustment loans which were credits used to encourage macro-economic policy reform. The last one is technical assistance operations which are loans that provide skills so that the capabilities of national or regional institutions can increase so they can finance project preparation projects more effectively (AFDB, 2013:22).

In 1995 the bank's new credit policy was established here regional members were grouped under 3 categories based on their gross domestic product and credit worthiness of a country: The first category includes a country with a GDP per capita of less than 540 US dollars they only qualify for reduced resources from the ADF.

The second category includes a country that has a GDP per capita of between 540-1050 US dollars could access resources from both ADF and AFDB. The third category includes a country with the middle income they only access AFDB loans they have a GDP per capita above 1050 US dollars (AFDB, 2013:30).

To help assist countries that were recovering from the social and political crisis the bank created the fragile state's facility (FSF), which provided supplemental investment to rehabilitate in priority areas of the bank. FSF is a rapid-response tool that goes hand in hand with the regular assistance of the bank in helping fragile states. In 20008 under FSF the bank approved the first budget support for Liberia. A budget of 7 million was approved to help with economic governance in six countries. The success of the FSF led to the formation of the Zimbabwe multi-donor trust fund (the Zim-Fund) (AFDB, 2013:34-35).

In their annual meeting in 2011 that took place in Lisbon growth was the main thing addressed. AFDBs growth agenda aims at promoting long-term development by focusing on economic growth and creating jobs. The years 2002-2012 were successful years for the bank to come up with a 10-year development strategy that began in 2013 and will run to 2022 here the bank aims to establish Africa realistically and boldly. In the 10 years the strategy will focus on these operational priorities: skills and technology private sector development, regional integration, infrastructure development, and lastly governance and accountability (AFDB in brief: 2013: 44-45)

As of 2015, the bank had approved 27,8 US billion dollars in loans and grants to develop infrastructure in the North of Africa the bank extended the money funded to help the west African blue economy. So far, the bank has had a positive impact on Africa's development they funded a bridge that links Gambia and Senegal with 98 million US dollars this resulted in regional connectivity. The second project they funded that led to growth was Zambia's Kazungula bridge which was over the Zambezi river this led to eight markets in African nations to be open. The bank financed 32% of South Africa's region energy sector despite this more than 300 million people do not have access to adequate water supply and sanitation facilities in Africa (Fernando: 2019:1). The bank published a policy called "Feed Africa strategy for agricultural transformation in Africa 2016-2025" this policy observes the conditions in African countries and reports back on progress made to achieve sustainable development goals.

The above has shown that regional development banks play a significant role in their respective countries they are more equipped to address the needs of low-income countries they help them gain access to loans that will help in projects such as infrastructure, or projects that will help reduce poverty. Regional banks are a source of long-term finance for their members. However it is important to note that the banks do not have enough capacity to finance significant development projects (Gamiet: 2017), most of their shareholders are also borrowing countries, therefore, they have limited financial resources to expand the bank's capital base.

2.8 International Financial Institutions role in Africa

As mentioned earlier the World Bank and IMF were formed after world war 2 to help boost Europe's economy. For them to implement their policies they began to offer loans to weak states on the basis that these states would have to privatize their economies and allow corporations in the west free access to their natural resources. According to Africa and the World (n.d.), this was a poverty trap and it was challenging to come out of it as many countries realized when it was too late. In 1950 developed countries changed their policies meaning more money was given to developing countries.

The demand for the World Bank and IMF increased due to Africa's economic crisis in the 1980s. late 1970s oil prices and interest rates went up and primary commodity prices decreased this led to many poor African countries to be in debt. By the 1980s Africa's foreign debt to export income increased by 500% Africa needed more money to repay debts and to make matters worse their share in the world trade was drastically decreasing, export earnings were dropping as well as global prices for primary commodities. African countries relied on importing manufactured goods this resulted in them importing more goods while there was a decrease in export. The government needed a way out they needed new loans to pay for the old ones to meet domestic needs that is where the World Bank and IMF played a role. They now became key providers of loans taking over from developed governments and private banks. To ensure the repayment of the loans and for the economy to stabilize the two institutions provided hard currency (Kingston et al, 2011:116).

African policies shifted their focus from addressing development to managing the crisis that Africa was faced with. Africa's debt crisis was because of Africa's first oil crisis which harmed African economies by causing an imbalance in their international payments account, it affected Africa's development plan drastically. The crisis was at its worst when the OPEC increased its prices in 1973-1974, critics believe that the OPEC had ulterior motives in their price hike of oil. As time went by export on commodities increased therefore Africa's credit was increased as industrialization demand increased. Aid and resources to African countries increased, African leaders implemented poor policies therefore the aids received were not appropriately invested. They did not use the aid for development instead they came up with unrealistic expectations as there was no proper budget stipulating how these funds would be distributed (Kingston et al, 2011:118-120)

IFIs played a significant role in encouraging reforms that hurt Africa's development this resulted in the IMF and The World Bank has a negative impact when it came to Africa's development in terms of funds, aid, and resources. For a country to receive a loan from the World Bank or the IMF a standard policy package called structural adjustment programme was imposed, it was imposed to ensure that the borrowers would pay back the loans. The two institutions claim that the SAP was formed so that trade imbalances, as well as financial deficits by the government, would be corrected (Kingston et al, 2011:130)

SAP promotes the private sector while decreasing the role of the state. The ideas behind these policies are like neo-liberalism or the Washington consensus which was explained earlier. The modernism school of thought states that the primary assumption of structural adjustment was that as the role of the market increased the poor and the rich would benefit. It was believed that the key to stimulating growth was developing a market economy that plays a more prominent role for the private sector. Therefore, according to (Kingston et al, 2011) structural adjustment is “a package of economic policy changes designed by the World Bank and IMF to fix imbalances in trade and government budgets.” Modernists argue that the main aim of trade is to increase exports and decrease imports which would improve a country’s balance of payments.

IFIs notably the World Bank and IMF had policies of conditionality that played a negative role in Africa’s development. IMFs assumptions were misplaced which led them to take conditionality. An example of an assumption made by the IMF was what caused the 1980s Sub-Saharan crisis. They believed it was an internal factor rather than an external one. IMF failed to look at external factors such as the role which the external factors of the global economy played therefore it changed from state-cantered industrialization to decreasing its influence to improve the private sector role. Zambia had a core programme and met the programme's conditions to decrease inflation but despite this their debt still increased and by 1980 it could not pay back the IMF which resulted in structural adjustment (Kapur and Webb, 2000:22)

The IMF conditionality in Africa is based on industries being privatized, capital markets being liberalized, pricing that is market-based on trade liberalization, and high-interest rates. SAP grew in Africa and began covering areas of domestic policies not only monetary and fiscal trade but also health care, civil services, and government procumbent. In 1986 SAP was fully imposed which made the IMF the most influential institution in the world at the time economic conditions were dictated by its staff they dictated to 1,4 billion people in 75 developing countries (Kapur and Webb, 2000:23)

Opening borders and making trade and exchange with different states international would have positive results for Africa with the adjustment condition, a commitment was made to move away from being internationally dependent. This adjustment would lead to tremendous political autonomy and the African state's national identity would be more reliable. At the same time, interdependency would shift despite the autonomy being great. This would encourage cooperation politically an example is Zambia they relied on the Benguela railroad to transport copper for them which made them economically dependent on them as this continued right through Angola. Zambia’s liberalized economy would benefit from an orderly transition from Angola that was peaceful. From a colony to a state that is independent regional instability would now damage both states. This case shows the need for SAPs to be effective so that African development can be achieved. Despite this SAPs effectiveness has been rejected as they have not shown they play a role in developing Africa (Kapur and Webb, 2000:24).

The foreign direct investment did improve from 923 million dollars to 7,9 billion dollars in 1999 (Ismi, 2004) Despite an increase in exports, trade being improved, and an increase in foreign direct investment due to SAPs policies growth and development in Africa was not achieved so the standard of living for ordinary people was not improved. African countries exported raw materials like oil which is why it cost more to manufacture goods therefore trade would increase, and this did not affect the development of ordinary African people (Ismi, 2004).

Foreign Direct investment did not have much impact as companies were given incentives an example is profit repatriation where when a company invests in a country they get the larger share of the profit this resulted in little development because of SAPs and conditions imposed on African states, therefore, IFIs hurt Africa. Due to being in the African debt government spent more money to pay back the debt so the money spent on necessities like health care was less. In the 1980s money used for health care dropped by 50%, this had negative implications as some clinics and hospitals had to close more than 200 million people could not access health care making them more vulnerable to diseases. The money spent on education decreased as well to pay debts which is why adult literacy for adults is lower than the estimated literacy rate of a developed country. This has led to human growth to be low and development in Africa to be slow (Bond and Patel, n.d)

As mentioned earlier SAPs did not help in Africa's development two parameters were created about this view the first one is that it has been evident that the SAPs played some role in achieving their development goals of adjustment. Angola and Zambia exports improved, and slight economic growth was achieved in the free trade arena. IFIs conditions were inevitable, the reason being for an adjustment to be effective they needed to be legitimate. Secondly, SAPs were ineffective as debts went up, the potential of the economy was crippled internal factors such as the civil war in Angola, drought, and corruption were blamed. SAP was necessary but was ineffective as African states could not pay back loans therefore this makes them unsuitable for the African context. Even though liberalizing is seen as necessary for development it has no practical influence on these internal factors such as debt. SAPs showed to be exploitative by neo-colonialism, where they wanted to control exports and promote productivity to benefit themselves.

2.9 Conclusion

This chapter has looked at the concepts of development as well as the available literature on the relationship between IFIs and development in Africa particularly economic development. It has looked at the Bretton woods institutions as well as the regional development banks. The different policies of international financial institutions specifically the World Bank and the IMF and how they have failed Africa have been discussed. Also, the African development bank which is the primary growth driver in Africa and seeks to invest in Africa's development for the benefit of Africans has been looked at showing how they have shown progress despite the challenges they were faced with. The primary purpose of this chapter was to look at the role of IFIs and their role in Africa's development. Chapter Three will discuss the theoretical framework used to explain the variables of this study.

Chapter Three: Theoretical framework

3.1 Introduction

Chapters one and two gave us an introduction to the research as well as the literature review. Chapter 3 will explain the two theories which will be applied in this paper. Since the aim of this thesis is to examine the role of IFIs in Africa's development, more specifically, economic development, the two theories will be used in explaining Africa's economic development. The two theories will be used interchangeably to unpack the core of the study. It provides a deeper understating of the framework upon which the study is centered.

3.2 Neoliberal Theory

The neoliberalism theory has developed in many academic and political debates. Scholars such as Margaret Thatcher and Ronald Reagan, have concluded that neoliberalism is the leading theory that shapes the world; therefore, we live in a neoliberal world (Saad-Filho and Johnston, 2005). Different authors and scholars have argued that the definition of neoliberalism is has been changing, and different scholars and authors interpret it differently. Despite this, the theory is a useful analytical tool in explaining the political, economic, and development trends which will be looked at below.

Before looking at what neoliberalism is, it is essential to look at liberalism as neoliberalism is an extension of liberal thoughts developed in the seventieth and eighteenth centuries in Europe. According to (Thorson and Lie, 2009:8), there is no precise date as to when neoliberalism emerged, but how it was founded can date back to Adam Smith's classical liberalism, where his economic theories were created. Neoliberalism is a new paradigm for policymaking and economic theory at the same time it draws from Smith's economic theories of the 19th century.

According to (Perry, 2007:519), liberalism dates to the seventeenth century in England, there was a religious intolerance by English protestants, which led to the freedom of opinion and expression in all matters. During this period, the free-market economy expanded in Holland, America, and Britain, which showed that human actions were uncoerced by government activity. Thorsen and Lie, as well as Perry, both believe that classical liberalism is the foundation for the neoliberalism political and economic ideology. The difference is that Thorsen and Lie only connect classical liberalism to Adam Smith's work, whereas Perry looks back at how it emerged as well as the development that took place in the seventieth century.

According to (Harvey, 2007:12), neoliberalism is "the first instance a theory of political, economic practices which proposes that human well-being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade." To understand neoliberalism better, you need to look at the similarities and differences it has with other political and economic concepts and movements. Neoliberalism is often associated with the policy named laissez-fair economics, which believes in little government interference when it comes to society and individuals' economic issues. One major characteristic of this policy is that when economic growth increases, so will human progress, free-market confidence, and limited state interference will be emphasized (Kenton, 2019).

Neoliberalism believes that economic freedom, as well as political freedom, are linked together. According to Friedman (1962), as much as economic freedom is a significant component of absolute freedom, it is also a necessary tool for political freedom. In his book, Friedman claims that controlling economic activities will lead to political repression. In his Road to Selfdom book, Friedrich Hayek also has similar views to Friedman he believes that economic control is not just about controlling a sector of human life which you separate from the rest, but it is a "control of the means for all our ends." They are both arguing that by increasing economic freedom and political freedom, expectations are raised, leading to democracy.

Neoliberalism does not look at the issue of whether there should be a democracy or the free exchange of political ideologies. Harvey (2007) does indicate that policies that were created due to neoliberalism can be implemented under the backings of autocrats and within liberal democracies. Advocates of neoliberalism are a bit sceptical about democracy. They believe that if the process of democracy slows down neoliberal forms, threatens individuals or commercial liberty (which does take place at times), then democracy needs to be avoided, and the rule of experts or legal instruments should replace it. When neoliberal policies are practically implemented, it leads to the power to relocate from political to economic, from state to markets and individuals, and lastly from executive and legislative authorities to the judiciary (Thorsen, undated).

Neoliberalist believes that development is prevented by the government when governments become big, individual's freedom is restricted; therefore, they are unable to drive development forward. Some neoliberals are critical of the western aid money and the role it plays, they use the African dictatorship that emerged in the 1960s to 1980s in Africa where western governments gave African countries money worth billions of dollars that money than went to government officials in Africa and did not contribute to development. Neoliberals believe that for countries in Africa to develop, they need to remove any barriers to free-market capitalism and allow it an opportunity to generate development (Thompson, 2015).

Neoliberalism argues that if capitalism can work freely, it will generate wealth that will be of benefit to everyone in simple terms, neoliberalist believes that companies or private entrepreneurs should play the central role in development. According to Neoliberals, if the government allows a friendly business environment, companies will invest more and produce more; this will result in export and eventually lead to free trade. Neoliberals view free trade as the primary strategy to achieve development (Thompson, 2015).

3.2.1 Spheres of Application of Neoliberalism

The role of a neoliberal state

According to Harvey (2007:64), it is easy to define the state's role in a neoliberal theory. It is the opposite of the Keynesian economy where the economic system is reformed by the state, whereas in a neoliberal society, the role of the state is weak, and the main aim is to promote a free market. Neoliberal philosophy believes that the state needs to formulate and sustain the institutional framework; the markets need to function correctly and to ensure property rights. If a market does not exist, then the state needs to create one; after creating one, the state should not have much influence over it. Neoliberalism believes that state interference in public life should be limited. Individual freedom should not be limited by publications through regulations and law (Harvey, 2007).

The Market

Neoliberalist sees the market as natural and inevitable neoliberalist support free trade as they believe competition will result in global and economic development, which will also benefit individuals. According to neoliberalism should there not be growth, it is as a result of outside interference on the operations of the market which are regulated internally and naturally (Harman, 2008), neoliberalist believes that the market will create maximum wealth because it is efficient. However, this does not mean markets will get rid of inequality within the economy as the free market will ensure that the inequality is a result of one effort and their natural ability (an ability that they are born with) trade unions, states, and social welfare programmes are not encouraged to intervene and must be eliminated because they are a malformation to the market. They are barriers to individuals being able to engage with the market freely. In a neoliberal state free-market relationship means a free society as there are no restrictions on individual freedom (Turner, 2008).

The role of the individual

In a Neoliberal state, there is little state intervention which allows individuals to pursue their interest freely, however at their cost and responsibility. The state can attempt to create social services such as education and health care, but the choice lies in the individual. In a neoliberal world, the social problem does not exist; individuals must face their problems, so there cannot be social solutions to individual problems as this will limit the individual freedom (Turner, 2008).

3.3 Neoliberalism in Africa

Africa society trends show a similarity to neoliberal policies. Neoliberalism's objective is the same for most African countries as there is an assumption that African countries are the same, with the same problems; therefore, the solutions should be the same. According to neoliberalism, Africa's economic problem is a result of most African state's failure to include local currencies overvaluation, state regulating the import of licensing system, inefficient state-owned enterprises, subsiding oil products, and corruption. Neoliberalists believed that the leading cause of Africa's failure is overregulating the economy, which did not allow market forces to allocate resources efficiently (Konings, 2011).

IFIs gave different reasons that will be mentioned in this thesis for the failure of the African economy; the neoliberal programme believed that the state's role should be reduced, and Africa should rely on market forces. Neoliberal policies that were introduced externally were the only credible policies to develop Africa despite these policies to develop Africa, despite these policies being proven to worsen Africa's economic problem. The neoliberalism programmes flaws were acknowledged, but the blame was still placed on the African country's lack of political will or creating an environment needed to implement the neoliberal programmes (Konings:2011).

3.3.1 The Role of IFIs in building a neoliberal African state

The IMF and the World Bank promoted good governance to explain why the SAPs failed; they believed that the African state is wasteful, corrupt, and they failed to implement policies. One of IMF and World Banks' main goal was to discredit the strategies of development that were created by the state instead of wanted market-led strategies. Therefore, the institutions mainly targeted the African state's role in economic and social development; they did this by discrediting the state's role as a development agent; they published literature where they negatively highlighted the African state. The institution pointed out how the public sector was mismanaged, which was a barrier to economic development. Through discrediting the state, the IMF and the World Bank benefited as they used to restructure the public sector, which led it to be dismantled in favour of the private sector (Babb and Kentikelenis, 2018)

The second way the institutions weakened the state's role is by limiting their financial resources. The institutions used trade liberalization and financial liberalization to achieve this. Trade liberalization resulted in fiscal revenues to decrease and lower tariff barriers, which meant a large trade loss. Financial liberalization, which resulted in a further financial loss because of low tax rates on income, made matters worse. Africa had to resort to multilateral and bilateral loans and credit to make up for its loss; this stripped them further from their power (Babb and Kentikelenis, 2018)

According to Dembele (2005: 391), in their process of weakening the role of the state, the IMF and World Bank aimed at building and strengthening functions that would allow them to implement neoliberal policies and promote private sector development. The World Bank and the IMF promoted institution-building, but these institutions were not for development but the market. They proposed that institutions that would support neoliberal policies to be built. The IMF renamed their Enhanced Structural Adjustment Facility (ESAF) to Poverty Reduction and Growth Facility, and the World Bank created the Poverty Reduction Support Credit (PRSC). The creation of these policies was IFIs admission on how their past policies failed, where they focused more on changing imbalances in the macro-economy and market, but this harmed economic development and social progress. The credibility and legitimacy of the World Bank and IMF were questioned after the failure of SAPs.

3.4 Neoliberalism and Africa’s development

With neoliberalism comes neoliberal policies where the neoliberal theory assumption is applied to the social realm, examples of neoliberal policies are the World Bank user-fees clauses in the structural adjustment programs (SAPs), which were explained in chapter two. These policies require the government to charge a certain amount to use health care for the citizens and for them to receive basic needs like health care and water. Neoliberals have similar policies known as ‘Trade-related intellectual property rights (TRIPS) and General agreement on trade in services (GATS) (Zwede, 2010).

From the 1980s, the World Bank, IMF, and G7 have been trying to introduce neoliberal programs to solve the African economy problem. It started early in the 1980s with the berg report, then 1980s to 1990; the structural adjustment programs were introduced in the 1990s the Heavily Indebted Poor Country (HIPC)was introduced, which was a strategy to reduce poverty. The most devastating programme that the World Bank and IMF created was the SAPs; the SAPs were created to reduce debt by structurally adjusting African economies so that foreign investment would increase, allowing more export. According to Zwede (2010), Examples of SAPs prescriptions are:

- Labour flexibility increase meaning minimum wage was capped, and policies were created so that the role of trade unions would be weakened and the bargaining power of workers.
- Social spending on education and health care was decreased, whereas tax was increased.

There was an increase from the 1990s to 2000s in FDI in developing countries an increase of \$67 per capita, but developed countries saw an increase of \$930 per capita developed countries increased 15 times more than developing countries. African economies performed poorly in a period where there was an increase in FDI and trade; therefore, the ruling economic policy can be blamed for this as the policy claimed that debt would be reduced and FDI and export shares would increase (Caffentzis, 2002:93).

Although FDIs faced problems, neoliberalism encourages FDIs as the only means to Africa's development. This was evident at the United Nations conference (2009) on trade and development where it was noted that should the macro-economic policies be more responsible, and there are liberalization, deregulation, and privatization than there would be an increase in FDI. This policy was mostly used by European nations and the USA which is why the World Bank and IMF support it so much (Zwede, 2010)

According to Stein (2012), deregulation and neoliberalism have played a massive role in destabilizing the economy, stagnation, and an increase in inequality, which has been a significant problem in the past years. Global growth declined from the 1980s to 2000s in the 1980s it was 3,3% in the 1990s it was 3,1%, and from 2000 to 2010 it was 2,8%. Countries in sub-Saharan Africa were severely influenced by neoliberalism when policies that were meant for development were introduced. Financial liberation in the post-1980s led to instability and financial crises.

The research applies neoliberalism to show how it is a characteristic of the World Bank and the IMF. They had similar objectives of neoliberalism for all African countries reason being there was an assumption that all African countries are the same, and their problems were the same, meaning the solutions to the problems had to be the same. Neoliberalist ideas believed that economic failure in Africa was African economies being over-regulated; therefore, market forces to play the role of allocating resources efficiently (Ugwu, Idemmili-Aronu, and Atama 2016:6).

Neoliberalism ideas show how the World Bank and the IMF used them to try developing Africa this was done through implementing programs such as the SAPs, Foreign Direct investment deregulation, and reduction in how much the government spends. Although the World Bank and IMF had good intentions, the pursuit of neoliberalism, such as FDI, had a negative effect. Neoliberalism structure played a negative role in Africa's development as the continent became stagnant or moved backward; this was caused by ordinary people being marginalized and the World Bank and the IMF causing de-development.

3.5 The Dependency Theory

Dependency theory which was guided by Raul Piebisch was developed in the 1950s, in the 1950s Piebisch was a director for the 'United Nations Economic Commissions for Latin America.' He and his co-workers were concerned that when a developed country's economy grows this does not lead to economic growth in developing or underdeveloped countries. Their studies suggested that economic activity in developed countries resulted in severe economic problems in developing or underdeveloped countries (Joseph, 2016:482)

The Neo-Classical approach claimed that poor countries came late in learning economic practices as soon as they master the techniques of developed countries than poverty will decrease. Marxist theory believed that an increase in poverty is a consequence of exploitation by the capitalist system. The world system approach, which is now compared to other bodies of thought, believed that poverty was caused by developing the international political economy where labour was divided; this benefited the rich and hurt the poor (Joseph, 2016:483)

The Neoclassical theory, (which assumed that economic growth was beneficial to all, but not necessarily implying that the benefits would be equal), did not investigate Prebisch's views. Prebisch explained this by stating that developing countries provided resources to rich countries who produce products out of those resources, and then the developing countries would buy these products at a higher price. Prebisch suggested that developing countries should be part of import substitution programs so that they do not have to buy the manufactured products from developed states. Poor countries can still sell natural resources in the world market, but they would not purchase it back using their foreign exchange reserves (Ferraro, 2008:58).

Three issues made Prebisch suggestion difficult:

1. Internal markets of developing states were not big enough to support economies of scale used by developed states which allowed their prices to be lowered.
2. There was no political will to change from producing their natural resources low; and
3. How much control developing countries had on their natural resources, particularly when it comes to selling their natural resources overseas.

According to (Frank, 1972:2), "historical research demonstrates the contemporary underdevelopment is in large part the historical product of the past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries furthermore these relations are an essential part of the capitalist system on a world scale as a whole." Frank believes the capitalist system has led to labour being distributed in the international arena; this, therefore, resulted in underdevelopment in different places of the world.

The dependency model assumes that political and economic power rests in the developed country which is an assumption that is similar to the Marxist theory of imperialism if this assumption is correct then the difference between political and economic power is false: the government will do whatever they deem necessary to protect private economic interest like the ones held by multinational corporations. It is important to note though that not all dependency theorist is Marxist so one must differentiate dependency and imperialism theory. Marxist explains the reason behind imperialism, while dependency explains the consequences. The debate in different theories was very challenging (Ferraro, 2008:64)

According to Newshool (2009), Dependency theory is the idea that resources flow from a periphery of poor and underdeveloped states to a core of wealthy states, enriching the latter at the expense of the former. Munro (n.d) defines dependency as an approach which looks at underdevelopment in the economy; this underdevelopment is caused by the global political and economic order. (Smith and Owens, 2011:6) Define dependency as the historical economic events that happened in the past led to developing countries to depend on the support of developed countries Dependency theorists still disagree on some points in defining the dependency theory, so it is wrong to think there is one definition of the theory. For this research, we will use Smith and Owens's interpretation. There are three similarities when theorist tries to define what dependency theory is, which are:

1. Dependency believes that the international system is divided into two different states; first, it is the dominant state the second is the dependent state the dominant states are your developed countries, and the dependent state is your poor countries

2.external forces like multinational corporations, foreign assistance is essential in the economic activities of developing countries.

3.lastly the relationship between developing countries and rich countries are dynamic because of how they interact. Developed countries are seen to be more powerful than developing countries.

According to Ferraro (2008:60-64), dependency theory has five central propositions, such as:

- Underdevelopment is a different term to underdevelopment; underdevelopment is when resources are not being used; an example is European colonies seeing the North American continent as an undeveloped area reason being; they did not actively cultivate their land to its full potential. Underdevelopment, on the other hand, is when resources are used, however, they only to the benefit of rich states and not the weak states where the resources are found (Ferraro, 2008:61)
- The difference between underdevelopment and underdevelopment put poor states in a different context historically. Developing countries are far from catching up with rich countries. Poor countries are not poor because of failure to transform but rather because Europe integrated them into their economic system only for raw materials and because they would provide cheap labour. Developing countries have refuted the chance to promote their resources so that they can be on the same level as dominant states (Ferraro, 2008:62).
- Dependency theory suggests that another way resources can be used is found, rather than patterns that dominate the states came up with, one state practice that the dependency theory is against is agriculture exports they claim that weak economies have a high percentage of malnutrition despite producing large amounts of food that’s exported. Dependency theorists believe that agricultural lands should be used to produce food locally so that malnutrition can be reduced (Ferraro, 2008:63)

- Dependency theorist believes the nation's economic interest is clear; therefore, it should be segmented to different states. This view is like realism however dependency theory’s view is that the nation's interest can be achieved by considering the poor and needs rather than focusing on the needs of corporate government only (Ferraro, 2008:64)
- Dependency theory argues that a dependency relationship is a voluntary one as the government is failing the poor the government believes that to achieve economic development the liberal economic doctrine should be followed (Ferraro, 2008:64)

3.6 How Africa’s dependency affects its development

African countries are too dependent on foreign aid without foreign aid; they cannot fulfil their budget commitments yearly. Their aid dependence results in leaders not having a voice even when fake and unwanted goods enter their market. Africa’s development is dependent on factors such as entrepreneurs in the private sector and political reformers. Loans have resulted in Africa’s debt crisis, which results in it going on a merry-go-round affair to service those loans through negotiations and rescheduling this is so that gross inflows can be enough to fund debt servicing outflows (Easterly, 2005).

According to Karikari (2002), assistance to achieve development has resulted in African countries' dependency as this leads to a lazy, slavish dependency mentality, from the government to the people. Karika believes that this shift people’s faith in themselves. Dependence on aid increases corruption; an example is Sub-Saharan Africa, the most significant foreign aid recipient, which is also where the world's lowest ranking countries in terms of corruption are. This proves that foreign aid increases the availability of resources to already corrupt groups of people, which means power remains in the hands of the government. According to Lyons (2014), there is a trend: where an increase in aid leads to an increase in corruption. Dependence on Aid also results in countries not promoting local businesses as they would rather receive free money; this harm improving human development and income per capita.

The late Rodney Walter has a book titled “How Europe under-developed Africa” which looks at the relationship between Africa and Europe and how Africa is dealt the weak hand his main argument was Africa developed Europe at the same rate Europe underdeveloped Africa (Walter, 1972). In the past 50 years, Europe has been exploiting Africa in every way possible; this has led to it further under developing Africa, as Walter mentions. To this date, Africa is still controlled by Europe: economically, culturally, and politically, which makes them more dependent on European countries. This dependency relationship has resulted in it being a norm in our society as urban areas control rural areas resulting in dependency being linear and multi-staged this resulted in economic development is slow (Massoni, 2019).

The reason for Africa destructing is because of Africans themselves and the growing number of corrupt leaders. Corruption in Africa has been one of the main reasons why Africa is not developing. Corruption has led to the aim of African countries not to develop but to transfer national resources into foreign banks for their gain. While in power from 1993 to 1998, Sani Abacha looted money estimated to be in the billion margins; only $300 million was returned by the Swiss government (BBC, 2018). This is one of the few examples of how African leaders have contributed to Africa's underdevelopment taking money, which is meant for Africa's development is despicable.

Africa's dependence on IFIs and developed countries is detrimental to the development of the continent. Former leader of Burkina Faso Thomas Sankara was against foreign aid as he believed that by getting foreign aid from developed countries will lead to the people providing the foreign aid having control over the country. Sankara finds it depressing that Africa fought for so many years to get rid of slavery and colonialism, but now they turn around and become dependent on the very same country that colonized them because of colonial education and mismanagement. The west has created a dependency syndrome so that they can exploit natural resources in Africa. As mentioned earlier, most African countries are at the bottom when it comes to income per capita; this is due to foreign aid (Dembele, 2013).

The number of African countries that are dependent on foreign aid is increasing. Zimbabwe is an example of a country where foreign aid from the IMF and the World Bank has hurt its development. In 2001 the fast track land reform programme was introduced so that land redistribution can be quicker. The land reform did not deliver the results the government had expected; it led to Zimbabwe receiving economic sanctions from states that have control of the Bretton Woods institution. As of October 2018, Zimbabwe had a debt of $16,9 billion (Fabricius, 2019).

Dependency theory believes that the African debt is a result of the extreme dependence of African economies on international institutions that impose conditions that they have little to no control of. The above has clearly shown that the problems that arise in Africa are not innate but stem from an engineered place. Therefore, for economic development to be achieved. African countries need to depend less on the developed world. Therefore, in this study, the dependency theory shows how foreign aid and IFIs have had an impact on Africa's development, particularly Africa’s economic development. Africa is still one of the richest countries when it comes to natural resources, which is why the economic crisis needs to be combated, and development is achieved.

3.7 Conclusion

This chapter has given a detailed analysis of the major theories, which are neoliberalism which is used to explain how The World Bank and IMF used neoliberal policies in Africa which had a negative effect on the region's development. Dependency theory on the other hand shows how Africa’s dependence on foreign aid is affecting its development. The two theories are used in this thesis to answer the key questions. Since the main purpose of this research is to look at the relationship between IFIs and development in Africa, the theories are important. The next chapter responds to key questions of this study using these theories and concepts as well as the data and case study.

Chapter Four: Delineation of Variables

4.1. Introduction

Chapter four aims at getting a more precise understanding of the information provided in chapter two using the two theories and concepts presented in chapter three. This chapter provides a detailed response to key research questions as well as the broader issues in this research. The variables that are at the centre of this study are the challenges to Africa's development, the role that the IMF and World Bank play in Africa's economic development, the contributions, and failures of the AFDB in Africa since its inception.

4.2. Africa’s Development and challenges

As mentioned in the previous chapters, despite being rich in natural resources, Africa is still one of the poorest continents in the world. For development to be achieved effectively, there needs to be sustainable development, stability in the economy, peace, and issues such as poverty and disease need to be addressed. As Africa is faced with many development issues, the use of a holistic approach (where social, environmental, and economic dimensions are integrated), is essential. The sustainable development report uses this holistic approach by assessing and monitoring the relationship between these three dimensions (Dione, Semhajwe, Tutu, Yousif, Pedro, 2005). The method was used to achieve the millennium development goals, and this will also help in making the sustainable development goals of 2030. To respond to the significant challenges to Africa’s development, it is of import to interrogate some of the development factors. These are Human development, economic development, governance, infrastructure development, trade, investment and regional integration, and Agricultural development.

4.2.1. Human Development

Human development is explained as the process of increasing a person’s freedom and improving their opportunities and well-being, it considers people as the driving force to their development People are empowered so that they can improve their lives. Human capital is the primary key to growth in Africa, in 2012 Seychelles was the first African country to reach the top level of the UN development programs Human Development Index (HDI), this showed that the continent was taking measures to improve health care, education, and social well-being. In the September 2018 Report, which shows data collected in 2017, Seychelles was still number one, and Niger was last with the lowest human development. 92,1% of African countries had an increase in their HDI, despite being at the bottom, Niger was one of those countries with a rise of 0,003. Libya had the highest HDI increase in 0,013, making it number six in Africa and

108 globally (Human Development Report, 2018:22-25). The main Human development challenges in Africa are improving access to the education system in Africa sustainable development goals wants to achieve this by 2030; however, they are failing thus far as Africa is experiencing an education crisis. An estimated 75% of girls start school in Sub-Saharan Africa, but only 8% of them complete high school. Now tax revenue in most countries is insufficient to improve the education system; this can influence sustainable growth (Machel, 2018:2-4).

As technology becomes more advanced, the health care system in Africa is slowly improving, allowing more people to have access to health care; however, less than 50% of citizens in Africa have access to health care. Most African countries spend less than 10% of their GDP on their health system. The is a shortage of Doctors and Nurses in Africa, as most of them prefer living and working overseas (Clausen, 2015). As the population increases, Africa needs to build and expand its workforce to improve development; this can only be done by developing the health care system, implementing effective educational policies, and increasing employment opportunities.

WW. Rostow, who was an American economist came up with five stages that a country must pass to become developed, which are: traditional society, preconditions to take-off, take-off, drive to maturity, and age of high mass consumption. This model believes that each country belongs to one of the stages and can climb through each stage of the development process (Jacobs, 2020).

Traditional Society

A country in this stage has limited function in terms of production and barely attains the minimum level of output potential. However, this does not mean that the level of production in the economy is stagnant. This stage consists mainly of subsistence farming, and the capital stock size is limited, and the quality is low. Labour productivity is also the low surplus output is barely there, so it is difficult to sell it in local and international markets (Jacobs, 2020).

Pre-conditions for take-off

In this stage, a country begins to develop its manufacturing and more international and national outlook rather than a regional one that they had in the first stage. (Jacobs, 2020)

Take-off

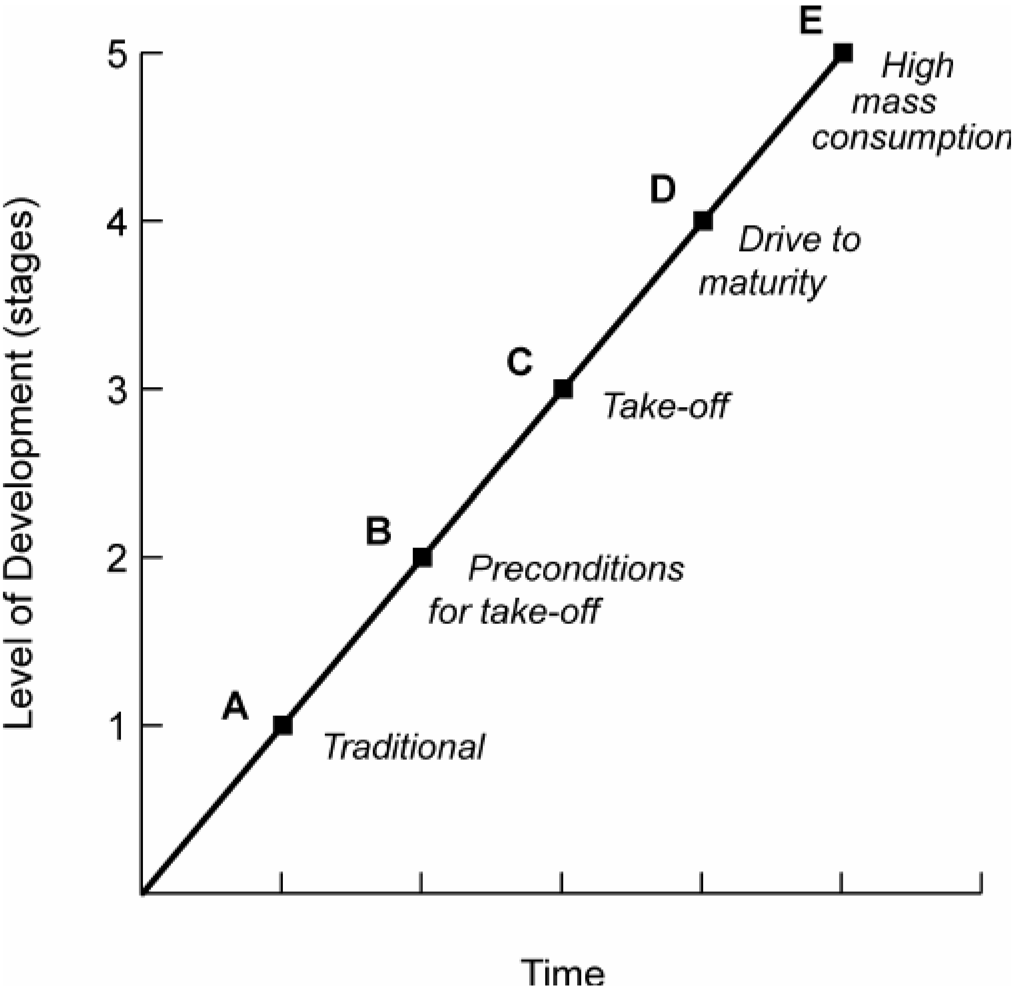
In this stage, a country experiences severe growth as industrialization begins and institutions and workers concentrate on an innovative industry (Jacobs, 2020)

Drive to maturity

In this stage, it takes time to happen, and it is during this stage that the standard of living rises technology usage increases the domestic economy grows and becomes more varied (Jacobs, 2020).

Age of High Consumption

During this stage, a state's economy flourishes as there are mass production and consumerism; many western states occupy this stage. (Jacobs, 2020)



Source: Geyer: 2011:6

The traditional stage applies to most African countries as most are rich in culture, customs, and tradition. An example is Kenya Masai, luyou, and kikuo; all have distinct beliefs; their ideas are still part of their everyday life. Most African countries agricultural products are the main source in helping with development, and this is one of the main features of the first stage (Niyanda, n.d)

4.2.2. Economic Development

As mentioned in chapter 3, economic development is when low-income economies are changed into modern industrial economies (Kruger and Mint, 2016). Economic development is essential as the research focuses more on it to help understand the role that IFIs have played in Africa's development. Economic growth is an aspect of the process of economic development, and this means that as economic growth improves, so will economic development. Economic development entails changing the socio-economic setup and institutional setup of a country

The level of Africa's economic development is challenging to look at as the continent is experiencing an increase in inequality and poverty compared to other developed countries. The major problem faced by Africa is the control of the world economy on it. European countries managed to develop into first world countries despite the effects of World War II, which had the same impact that Africa experienced during colonization. Impacts such as the economy collapsing and a negative effect on the infrastructure. The Marshall Plan[1] was implemented to help Europe, where it was estimated that US$ 13 billion was given to Europe in for aid from the United States (De Long and Eichengreen, 1991). The Marshall plan led to growth in Europe, unlike in Africa, where SAPs were implemented, and have failed to bring about development.

Africa's underdevelopment is usually credited to colonization. Another factor to underdevelopment is neo-colonization is continuing the colonialism economic model after a colonized country has achieved formal political independence. The Neo-colonialism concept was applied in Africa later on in the twentieth century a method of neo-colonialism was foreign aid where Africa's inability to develop after independence led them to rely on foreign aid neo-colonialism argues that by taking loans from the World Bank or the IMF proved that there was a link between exploitative forces of former colonizers as well as independent African governments (Falola and Heaton, 2008).

The main aim of colonisations was for Europe to exploit the natural resources of African countries at a low cost and colonial policies which were introduced that led to Africa's current problems. According to Diamond (1997), Africa has always been an impoverished continent, and this was caused by environmental factors such as little domesticated livestock and

[1] According to (Magid: 2012:2), the marshall plan enacted in 1948 is a programme developed by the US to help western Europe after it was affected by world war 2.

population density being low, he believes that this affected Africa's historical benefit he, therefore, disagrees that colonialism is the cause of Africa's economic development. Blaut (2002) disagrees with Diamond; he believes his theories are environmental determinism theories that believe that society is formed and determined by the physical environment, more particularly the climate.

Dependency theorist argues that America, East Asia, and Europe's wealth and superpower is dependent upon the poverty of underdeveloped countries like Africa. Economists who agree with this theory believe that for African countries to improve their economy, they must break trading ties with countries that are developed to prosper (Tausch, 2001).

Being the first nation to achieve liberation, Ghana should have an economy that is developed by now, but there are barriers like mismanagement. Another country is Zimbabwe after achieving independence, it showed signs of growth, but due to government mismanagement as well as the SAPs, it had the same fate as that of Ghana (Ateku: 2017). The World Bank and the IMF caused backward progression in Africa; statistical evidence is provided later in the chapter.

4.2.3 Governance

For a country to develop, there needs to be good governance; therefore, there is a close link between development and good governance. According to the World Bank (1992:1), governance is "the use of power in the management of a country's economic and social resources for development." There are four types of governance, according to the (UNDP, 1997), which are economic governance where decision making directly or indirectly affects a countries relationship or how it interacts with other economies. It influences issues like poverty, life expectancy, and equality. The second one is political governance, which includes a country's decision making and how policies are implemented. The third one is systematic governance, which looks at the structure of the society and guides socio-economic and political relationships, ensuring better lives for the societies. And the last one is administrative governance, where policies are implemented and carried out through the public sector. As mentioned earlier, some African countries are slowly growing; however, weak governance can cause strain on African states such as the Central African Republic, Somalia, and South Sudan where sectarian violence and leadership being weak and ineffective (Mbaku, 2019), which makes them more dependent on external parties and organizations for support. The world bank had emphasized on many occasions that their main aim is to promote good governance in

Africa when the SAPs failed. It was blamed on bad governance, which included the judiciary being weak, the rule of law being absent, and corruption (Cubitt, 2019).

Corruption in Africa is the biggest challenge faced by the African continent; it undermines public policy, resources are misallocated, markets are inefficient, leading to private sectors not being able to develop and the negative economic implications affect the poor the most. According to Transparency International (TI) (which is an organization that fights corruption and promotes accountability, transparency, and integrity), Africa has the most countries which are corrupt (Cubitt, 2019).

4.2.4 Infrastructure Development

The development of infrastructure is one of the primary keys for Africa to progress; it enables productivity and allows a country to achieve development and economic growth. Infrastructure development helps in achieving human development. It reduces poverty and is invaluable in achieving sustainable development goals. The World Bank claims that for Africa to develop its infrastructure, it would have to spend a total of US$ 130 billion- US$170 billion annually, but the capital that the continent has access to is too low to achieve this. Lack of infrastructure makes it difficult for businesses in Africa to grow and invest in Africa (Rand Merchant Bank, n.d) Africa's global manufacturing share is not proportionate to its population. Power is Africa's biggest infrastructure problem as the continent is experiencing regular power outages, companies operating in Africa have to purchase diesel operated power generators as they cannot rely on the power supply this increases operating costs and makes it difficult for businesses to run (Chimbelu, 2011)

Infrastructure deficits are barriers to Africa's competitiveness countries in the South are least competitive, and their infrastructure is one of the main reasons why. Most African countries have small populations, and their economies are below $10 billion, this is a result of being colonized in the past. The Programme for Infrastructure Development in Africa (PIDA) was created by the Africa Union Commission (AUC), the New Partnership for Africa's Development Planning and Coordination Agency (NPCA), and the AFDB. The PIDA was created to integrate the continent by improving infrastructure (Waldman: n.d). As Africa becomes more urban, public investment in infrastructure is more critical basic needs like houses, water, and sanitation facilities need to be improved to improve the standard of living.

The PIDA has achieved a lot of projects with the support of the AFDB, projects such as the Kazungula bridge which was a rail bridge and a road over the Zambezi river which was between

Zambia and Botswana at Kazungula and advantage will be an ease in tourist traffic and regional trade and integration will be enhanced once the bridge is complete. The second project is the Isaka-Kigali railway which will link Isaka and Tanzania (PIDA, 2017)

4.2.5 Trade, Investment and Regional Integration

Trade and investment are the main drivers of growth in Africa as it leads to the promotion of employment opportunities, poverty reduction, technology transfer, and new business and management models. More companies and states are now interested in investing in Africa. With a population of more than 600 million people working and set to double by 2040, Africa's economy is set to emerge in the years to come. For Africa to transfer economic gains to sustainable development, the public and private sector in Africa need to work together so that the market can be connected, and competitiveness can be enhanced. Economic and cooperation integration in Africa is still relatively low despite policymakers making efforts to improve trade and investment. The Southern African Development Community (SADC) is integrated more than others in terms of the deal. The Continental free trade area agreement (CFTA), was created so that there is one market for goods and services in the continent so that businesses, investment, and people can move freely. As the continent has about 1,2 billion people, the agreement is set to make the free trade market the biggest in the world. South Africa is said to be the most integrated, and South Sudan is the least (Phakathi, 2019). For Africa to establish free trade fully, there needs to be political commitment so that trade agendas are transferred into policies.

4.2.6 Agricultural development

Agriculture plays a significant role in the process of development. Agriculture provides jobs for industry, capital investment savings for non-agricultural sectors, and more food for the growing population. In most African countries, agriculture is the biggest employer, so it plays a huge role in poverty reduction by creating income for poor people in both the farming and nonfarming economy. Many argue that agricultural development is efficient in promoting economic growth in countries that are in the early stages of development. Countries that have a surplus of labour benefit from small farms rather than a large one as land and labour is scarce. Like Asia, Africa needs a green revolution so that agriculture is commercialized more. The value chain approach can be used to strengthen food security and agriculture (Diao, 2010:3-10). Increasing rural infrastructure investment like irrigation, storage facilities, and roads and allowing more access to markets, conserving the systems the agricultural productivity of a country can grow.

4.3 Role of the World Bank and IMF in Africa's economic development

4.3.1 Introduction

As mentioned in chapter two, the World Bank and IMF play an essential role in Africa's economic growth. The two traditional IFIs track record in the past years has increased inequality and led to an increase in poverty as the programmes that they implemented have failed. IMF and World Banks, poor results will be brought out when looking at how they influenced Africa's economy, and despite the damages caused, did they aid in Africa's development.

4.3.2 History of the World Bank and IMF in Africa

From the late 1970s to the early 1980s, when the World Bank and IMF began their intervention in Africa, their main aim was to accelerate development, particularly economic growth. In 1981 the World Bank published a report called the "Berg Report" it was a response to the Lagos plan of action, which was an economic development plan for Africa from 1980-2000 where they wanted to increase Africa's self-efficiency. The program wanted Africa to rely less on the west and maximize their resources (United Nations Economic Commission for Africa, 1980:104). The report was a response to the request by African governors for a paper that looks at Africa's development problems. The difference between the Lagos plan and the Berg report was that the Lagos plan wanted inward-looking policies for African self-reliance while the Berg report wanted outward-looking policies to increase trade. The berg report wished to shift the African country's economic policies to economic liberalization (Berg, 1981:61-69). It will be shown below how the aims of the report were not achieved and led to a disaster.

Structural Adjustment Programmes

As IFIs wanted to help solve the African debt crisis, they introduced structural adjustment programmes (SAPs). SAPs were loans that the IMF and World Bank provided to countries that were experiencing economic turmoil. African states were required to apply specific strategies for them to receive new loans or for the interest rates of the ones that already exist to decrease. The SAPs' primary purpose was for fiscal imbalances of countries that were borrowing to be reduced in the short and medium-term this would lead to an adjustment in the economy, which would result in long-term growth. Stabilization policies were implemented by the IMF, and the World Bank oversaw adjusting the policies (Lall, 1995).

SAPs in Africa were meant to make Africa more market-oriented, leading them to shift their focus to trade and production, which would lead to economic growth. SAPs had conditionality they implemented free-market policies and programmes which include privatization, deregulation, and reducing trade barriers, countries that did not want to pass these programmes could have the severe fiscal discipline (Lall, 1995). These financial threats often led to blackmail, which left African countries with no other option but to comply with the SAPs conditionalities. SAPs implemented neoliberal policies as they wanted private sector and free-market trade more than anything.

How the SAPs affected Africa has been debated, according to World Bank (2000), SAPs induced growth and decreased poverty in those countries that successfully implemented them. Klasen (2003), disagrees with the World Bank; he believes the results were not necessarily linked to macroeconomic policies of the SAPs. SAPs that were introduced in Africa were meant to decrease poverty by moving relative prices in a way that would favour rural areas and agriculture. To a certain degree, SAPs failed to promote growth. The fiscal measures that were part of the SAPs, as well as low budget deficits, were meant to help in achieving macro-economic stability it was not clear how the steps would be made (Heidhus and Obare, 2011).

In the programmes that were introduced when SAPs were created, the burden was more on the expenditure of the budget, which made it difficult for tax revenues to be increased without affecting the objectives of trade liberalization. This led to the IFIs to emphasize less on cutting expenditure, the supporting public infrastructure, social service, and the education system, and this affected the poor the most (Heidhus and Obare, 2011: 59). Heidhus and Obare believe that as much as their policies were adopted in Africa, their implementation was reduced, this had an impact on economic development, nutrition security, and food. SAPs worsened Africa's external debt crisis, which made the social and economic crisis worse.

Africa's GDP

In 1980 when the IFIs intervened the ratio of debt to GDP was 23,4% and how goods and services were exported was 65,2%; after ten years in 1990 it got worse; it went from 65,2% on the ratio of debt to GDP and 210,0% on goods and services exported. In 2000 debt to GDP was 71% while good and service one improved and was 80,2%. The above figures were a clear indication that African countries could not service their debt. This resulted in them accumulating arrears and an increase in interest on their debts; 30 % of Africa's debt is arrears; it increased by 15% from 1990. Therefore, when African countries take out new loans, they mostly use them to pay off their existing debts (Dembele, 2005).

Sub Saharan Africa paid $240 billion from 1980-2000 for their debts, which is four times their debt in1980. In 1978 Nigeria borrowed $5 million by 2000 they had paid $16billion but they still owed $31 billion this is a clear example of the debt crisis in Africa which leads to the World Bank and IMF influencing African countries. The World Bank has significant sway on African countries ' policies, and this was evident when they imposed stiff conditions so that they can receive their loans and credits. Financial liberalization, which was meant to attract more FDI because of export revenue shortfalls, lead to instability; this was caused by the fact that the exchange rate was volatile because capital flows were short-term as well as high-interest rates; this drove out private and public investment (Dembele, 2005).

4.3.4 The World Bank and IMFs role and implications

The word bank and IMF believe that another African crisis is the trading system they think it was inward-looking, domestic markets were protected, the exchange rate was overvalued, this all led to exports in Africa to be less competitive in the world market. IMF and world bank proposed a trading system that would be open and liberal where tariff and non-tariff barriers would be little and eventually not exist. They believed that if this were combined with an export-led growth strategy, Africa's economy would recover drastically. Trade liberalization costs have stopped African countries from benefiting from it as they have led to financial loss as many African countries are dependent on import tax as their primary source of income. Therefore, reducing or eliminating import tariffs has led to a decrease in government revenues. The most significant impact that trade liberalization had was that it led to domestic industries collapsing as they were unable to sustain competition from competitors that were more powerful and well subsidized. The industrial sector was affected by the most structural adjustment (Jung, 2018).

Private industry in most African countries fell because of the industrial workforce decrease. In 1980 more than one-third of industrial workers lost their job; it got worse in the 1990s because of the policies of trade liberalization and privatization imposed by the world bank and IMF. The industrial workers in Ghana decreased as well as Zambia, Mali, Tanzania, and many other African countries (Dembele, 2005). According to (UNCTAD: 2019), Intra-African export and imports were at 15,2%; most commodities are still primary products. African economies need to make more competitive and attractive to FDI. Trade liberalization worsened Africa's terms of trade. The UNCTAD believes that if Africa's trade terms were not changed and remained the same as they were in the 1980s their share in world trade would be twice as much as it is currently and their growth rate would have increased by 1,4% every year from where it stands presently, GDP per capita would be higher.

The World Bank and IMF believe that privatization would also promote development in the private sector. One of the core conditionalities of these two institutions was that state-owned enterprises become private as this would lead to poverty reduction. In the 1990s, African countries registered foreign direct investment, which was a response to state-owned enterprises being privatized. The bank released a report in 1994 which was assessing privatization in Sub-Saharan Africa, and it found that privatization was going at a slow pace it issued a warning to African governments to increase the speed of deconstructing the private sector which was seen as the reason for Africa's economic crisis. Privatization increased in the late 19990s (Dembele, 2005). He believed that the privatization of a struggling state-owned enterprise was a better option as he thought that if they are not privatized, tax and poor governance will increase, which would have an impact on a country's ability to expand and update its economic structure. Dembele, on the other hand, believes that privatization leads to job loss, the price of goods and services would increase, so he considers that privatization schemes made the social and economic conditions worsen. The World Bank and IMF blamed the failure of SAPs on good governance, and they believed that the inability of SAPs because of corruption, the continent being wasteful and poorly implemented the SAPs policies. The two institutions found that there was a need for a neoliberal state where the influence of the country on the economy would be limited, policies would then be implemented effectively, and foreign investment would be protected. The two IFIs wanted to discredit the role of the African state in their social and economic development. They came up with two strategies to do this the first one was to attack the African state's credibility they did this by creating a picture of the African country is one that is corrupt and wasteful and emphasized how Africa was mismanaging the public sector which prevented it from growing economically. The second strategy was to make the role of the state week by depriving it of financial resources; this would make it difficult for the state to achieve development. Financial liberalization and trade liberalization helped accomplish this goal. This resulted in African countries being limited when it came to their economic and social functions (Dembele, 2005).

The two institutions knew that by weakening the role of the state, it would be easier to implement their neoliberal policies and promote private sector development. The two institutions promoted the building agenda, which was not connected to democracy and human rights protection as they claimed, but rather it was an advocate for the neoliberal concept of governance as representative institutions were not allowed to formulate public policies and take part in democratic debates which are open to everyone. They could only implement what the world bank and the IMF decide id right for them (Dembele, 2005).

The IMF set up the “Poverty reduction and growth facility” (PRGF), it was created in September 1999 and lent to the poorest nations in the world it was a replacement for the Enhanced structural adjustment facility (ESAF). The World Bank created the “Poverty reduction support credit” (PRSC), which was for countries that qualified for the “International Development Association” (IDA) (World Bank Group, 2001:1). According to Dembele (2005), the creation of these policies was a form of admission that past policies failed; they focused too much on fixing microeconomic imbalances rather than focusing on social progress and economic growth.

In trying to rectify their mistakes, the IMF and the world bank required “Poverty Reduction Strategy Papers” (PRSP) which are documents needed for a country to be considered for debt relief they were part of an initiative named the Heavily Indebted Poor countries (HIPC). Low-income countries needed to produce PRSPs for them to receive aid from big donors (Dijkstra, 2011:6). The PRSPs were supposed to allow developing countries to create their policies, PRSPs were underpinned by a macroeconomic framework like the one which underpinned the failed SAPs. IFIs viewed poverty as an isolated aspect of economic and social development, and they believed short term measures would deal with the problem. This was evident in how PRSPs emphasized more on primary education and health care spending. Dembele felt that PRSPs are similar to SAPs just that PRSPs were introduced with three objectives which are to mislead the public opinion of the world by making it believe that their main focus is poverty reduction, the second objective is to provide broad support in a country so that they can make up for failed and discredited policies. And the last objective was to shift the blame from the World Bank and IMF to African countries and their people by blaming them for new policy failures (Dijkstra, 2011).

The World Bank and IMF were not successful in fully promoting economic development in Africa. The reason behind spending so many resources and funding Africa was for global capitalism interest; they wanted to protect and promote these interests. The institutions were more focused on strengthening and expanding their influence and power. For Africa to recover fully and achieve economic development is to shift from failed policies that these two institutions implemented. The problem in Africa’s economic growth is not entirely the result of these two institutions. African leaders also played a role as some governments were supporting the neoliberal policies that the institutions introduced. In the 21st century, Africa started getting funds from China; it is believed that loans from China would solve Africa's economic problems as their approach is different from the World Bank and the IMFs (Fabricius, 2018).

Instead of imposing conditionalities, China presented itself to African governments as a country that would lend Africa money without wanting something in return. Chinas focus was infrastructure funding, China not imposing any conditionalities on the loans given to African countries, failed to look at how these countries will be able to pay back these loans. This results in many governments to go back to IMF for more loans to service the loans received from China and this time around IMF conditionalities were not as bad they did not emphasize opening the economies they still have the condition that African countries that require loans should decrease their spending (Fabricius, 2018).

IFIs' role in Africa's development needed to be redefined after the 2008 global economic crisis. 21st-century global economic trends are not in favour of development banks; therefore, IFIs are slowly losing relevance as country's are finding other ways to help aid the development process. Taking the above mentioned into consideration, this section will analyse the African Development Bank, the challenges it has faced as well as its contributions towards Africa's development, particularly economic development.

4.4. Contributions

The AFDB is the biggest institution that aids Africa in its development it not only provides support financially, but it also gives technical advice to its member states. The AFDB is different from other multilateral and bilateral development partners as it plays a significant role in providing relevant data, giving expert advice and the way power is conveyed to the members in this institution. Many African countries trust the AFDB and see it as Africa's premier bank. This section will look at the contributions made by AFDB in Africa since its commencement.

African bank for African problems

As mentioned in chapter two, the bank was founded in 1964 a year, where African countries were gaining independence from the colonial era. Unlike other banks, the AFDB is the only bank founded and owned by African regional member countries. Pre 1982 countries not in Africa were unable to join as full members of the bank. As the years went by, the AFDB increased non-regional shareholders, and they have more non-regional shareholders than Asia and Inter-American banks; despite this, they still have a voting structure that gives African members the majority of the votes. Having a majority voting right allows the bank to develop a more progressive vision on how Africa engages with the world economy, and the bank can promote the continent's activities regionally and internationally (Birdsall, 2018:15). Given the bank's history and how it is currently governed, it truly is an African bank.

African investment forum

The forum took place in South Africa (Johannesburg) from the 7th to the 9th of November. It is the bank's innovative marketplace with the purpose of the capital increase, transforming projects to bankable stages and ensuring the financial closure of deals made, quickens. The forum incorporates state wealth funds, pension funds, heads of state, private investors, and policymakers. According to the African Development Group (2018), “the forum is a co-guarantee and co-Financing platform to increase capital and investment to improve Africa’s economic, agricultural and industrial sectors.” In less than 72 hours, the forum secured large amounts of investment interest in projects costing billions of dollars. The panel involved in the discussions looked at 63 projects, which would cost $46,9 billion; these projects would benefit 24 countries. In less than three days, 49 of the 63 projects were approved valued at $38,7 billion. The forum is not just an AFDB initiative but includes other parties such as Africa Finance Corporation (AFC), Development Bank of Southern Africa (DBSA), Trade and Development Bank (TDB), and the Islamic Development Bank (IsDB) all these actors more specifically the AFDB will help in achieving Africa’s economic transformation more effectively (African Development Bank Group, 2019).

Increased private sector operations

Private sector development and AFDBs private sector department are some of the critical components of the bank. Two hundred fifty-seven million dollars was approved for individual sector development in 2005; although this only accounted for 8% of the bank lending in 2005, it did increase throughout the years. Private sector development is an engine for sustainable and economic growth, as it reduces poverty and ensures growth in Africa. The bank uses several approaches to achieve individual sector development, which includes supporting private companies, strengthening financial systems as well as institutions, improving the business environment, and creating effective ways to attract resources from different donors. The bank has made several investments to stimulate private sector growth in the continents. In

2016 the bank intervened more in the private sector and emphasized more on syndication, strategic partnerships with the private sector, and co-financing; this allowed the bank to crowd in third-party investors and enable the bank to get leverage (African Development Bank Group, 2016).

By intervening more, the bank was able to lift the private co-financing ratio to 6:1, which was more than the target of 5:1 which displays a bright future for the bank's engagement with the private sector. The finance sector had the most approved loans; they sat at 73,5%; they were followed by energy (8,8%) transport (6,1%) and agriculture sitting at (5,7%). The social sector and operations in other industries accounted for less than 5% of private-sector lending. Activities in the private sector play a significant role in industrialization as well as the five development strategies. The bank has approved several private sector operations in different industries such as Transportation: the bank approved a corporate loan of $165,4 million to Ethiopian airlines so that they can strengthen and expand regional affiliation. Energy: the bank approved the solar photovoltaic project in Mali; they gave them a loan of $25 million; they also funded different hydropower projects in Nigeria and Uganda. (African Development Bank Group, 2016).

Agricultural Business: The bank approved four agricultural plans the first is white rice production in Senegal, the second one is forest reserves preservation in Ghana, third is providing Nigeria with a loan for agricultural finance and lastly providing the export trading company group with a loan to fund some of its African agricultural investment programs. The agricultural loan projects amounted to $151,4 billion US dollars. These projects play a significant role in the banks' purpose of promoting green growth, improving SME finance, and strengthening food security as well as agriculture. Social Sector: The bank financed three projects; two were equity investments to health care, and the third one was loaning the Babalola University of Nigeria, which was significant as it was the bank's first intervention in education (African Development Bank Group, 2016).

Increased support for infrastructure and Regional Integration

Infrastructure development is one of the biggest focuses of the bank as it enables economic growth and production. Directors of the bank appointed active staff and expertise as they realize that infrastructure development will lead to human development, reduce poverty, and achieve SDGs. The amount that the AFDB has invested in infrastructure has accounted for more than half of the improvements in Africa’s economic growth and is likely to increase significantly in the coming years. The infrastructure sector in which the bank funds include power supply, communication, and transport, as well as water and sanitation. The bank created the 2003-2007 strategic plan which recognized infrastructure as the main priority when it comes to AFDBs lending (Fernando, 2019)

In 2005, 23 infrastructure projects amounted to $982 million, all funded by the bank, and made up 40% of the amount approved in 2005. By 2015 the bank had approved 27,8 billion dollars in grants and loans in North Africa for the development of infrastructure. NEPAD, which was created by the African Union for Africa’s economic development, got technical assistance and advice from the bank to help with their infrastructure development. The AFDB, NEPAD, and the African Regional Economic Communities (RECs), all worked together to come up with short term ways to improve infrastructure development in Africa (Bank Information Centre, 2016).

The bank has increased its support for regional integration as it is the key to improving Africa's economy; currently, the bank has invested 13 billion Euros towards regional integration and infrastructure. Akinwumi Adesina came up with the High 5s, which will help in transforming Africa, and strengthening integration between countries is one of the main focuses. An example of Regional integration is the Senegambia bridge, where construction began in 2015, and it was running by January 2019; it was opened to light vehicles. The bridge links the two Gambia riverbanks; this will increase trade and sub-regional integration through Bissau, Cotonou, Dakar, Abidjan, Lagos, and Banjul corridor. The bank provided 83 million Euros to help fund the bridge. Since being launched, it has connected road networks and decreased travel time. Ousmane Dore who is the AFDB director general believes that for Sub-regional integration to take place the bank will build quality infrastructure, develop inter-regional trade and increase cross border investment he also said Central Africa has a range of natural resources but was not at the same level as other African countries when it came to regional integration. Should integration be fully achieved, agriculture is the sector that will benefit the most from it (Euro News, 2019).

Increased support for extractive industries (EI)

In the early 2000s, the bank was not a significant financial source for mining, gas, and oil industries; the only way they were involved in these extractive industries was through the loans they provided to the private sector. The AFDB support to EI has increased throughout the years. October 2006 the bank approved the ‘Extractive industries transparency initiative’ (EITI), since its approval the bank has adopted a mixed approach to how regional members engage in the EITI this was so that regional member countries that had a variety of resources could take part in the EITI process than the bank would provide financial and technical support to African countries especially those that did not have the financial means to implement the EITI process (Negatu, 2006)

The EITI's main aim was so that governance can be promoted; this was done by making extractive industries transparency stronger. Revenues that came from EI were supposed to be important in promoting social development and economic growth in African countries. In the past, there was no transparency with regards to how resources provided by the bank were managed; this resulted in poverty, conflict, and corruption the EITI was created to address all these issues. The EITI benefited governments that engaged in it by improving their international credibility and emphasize how committed they were in fighting corruption. In the private sector, when you commit EITI principles, it shows commitment to good governance and transparency, this increased investment. In 2009 the bank helped three African countries (the Central Africa Republic, Madagascar, and Liberia) to achieve EITI candidacy status. Liberia was the first African country and second in the world to be seen as EITI compliant, which set an example to other countries encouraging them also to join, and this also showed how the bank was focused on achieving economic development (Negatu, 2006).

The bank hosted the ‘Information centre for the extractive sector’ (ICES), which was a public platform that looked at extractive sector concerns in Kenya by making it more transparent. The ICES aims to inform anyone affected by the extractive industry in Kenya about its development and what activities are taking place. The ICES was created to bring actors together actors and Kenyan citizens. The extractive sector makes up 1% of Kenya’s GDP and less than 3% in total exports, but the bank believes that this will increase throughout the years. The bank works with bilateral partners such as the Canadian government and the United Kingdom to manage and fund the centre. Working with these bilateral partners, the bank can provide transparency and governance (African Development Bank Group, N.D)

Effective crisis management

The bank has been able to effectively manage the crisis that was a threat to their operation and would harm the economies of African regional member countries. The first crisis was the global financial crisis, which hurt Africa’s economy, but the impact was low compared to other more developed countries' reasons being Africa had a low level of economic integration. The crisis led to an increase in loan margins in Africa as sovereign debt spreads increased by 250 basis points. The crisis led to currency fluctuations; this was a result of commodity prices as well as the decrease in foreign exchange reserves. The amount of copper dropped by 65,8%; this affected Zambia's foreign reserves, and their Zambian kwacha to the US dollar exchange rate decreased by 50% but was able to improve a little by the end of 2008. Foreign direct investment dropped by 21%; this was caused by a fall in commodity prices; South Africa was not affected as their FDI doubled in 2008. Extractive industry projects in countries such as Kenya, DRC, Zambia, SA, and Cameroon were postponed. Uranium price decreased from $140 US dollars to $43 per pound, which affected Niger's export earnings (African development fund, 2009:3-8).

In November 2008, African ministers of finance had a conference so that appropriate policies can be formed to deal with the crisis. The bank collaborated with the NEPAD chairman, AU commission, and the Economic Commission for Africa. The bank and its partners had a discussion and came up with policy options in the wake of the global crisis; this resulted in the bank playing a significant role in providing input on Africa's G20 position. The global community took the bank's views seriously, which led to the 'G20 declaration and global pledges for new funding. Early 2009 the bank established a trade finance initiative worth $1 billion; this was to help address the market constraints caused by the global crisis, especially trade finance. Before the crisis, the bank had a target on the amount that they would loan to the private sector operations during the crisis the board approved UA 882 million for new services the amount was 4% more than what they had budgeted before the financial crisis (Ndikumana and Abderrahim, 2010: 10)

Like the private sector operations of the public sector were also increased by the end of 2009, the bank financed public sector projects with more than UA 6 billion; they used the medium-term strategy which they created to guide them. During the crisis, the demand for AFDB resources increased; this was evident as the financing gap for pre-existing deficits became worse; this meant the bank had to operate at systematically higher levels; therefore, they had to scale up their resource envelope. The bank came up with a solution of requiring their members to increase resources through replenishing ADF and increasing their global capital (Ndikumana and Abderrahim, 2010: 11-15)

Another crisis the bank was able to deal with effectively is the Ebola crisis in 2014 the bank provided $223 million and in April 2015 pledged 300 million dollars more to West African countries such as Sierra Leone, Guinea, and Liberia to fight the Ebola crisis and help build their economies as there was a decline in growth as a result of Ebola. The AFDB worked with the World Health Organisation (WHO), by providing the essentials such as equipment and medicine needed to fight Ebola, they also trained local health workers to deal with the crisis more effectively. The bank also provided finance to deploy foreign medical teams to help deal with the crisis (African Development Bank Group, 2015).

AFDB Opened the markets

In 2011 with the financial help of Zambia and Botswana government, the EU-Africa infrastructure trust fund grant, and the Japan international cooperation agency, the board of the AFDB approved about $260 million to fund the Kazungula bridge. The bridge links the town of Kazungula (located in Zambia), with Botswana. The bridge crosses the Zambezi and Chobe rivers intersection, where four countries (Zambia, Botswana, Zimbabwe, Namibia) meet. The Kazungula project goes hand in hand with the bank's 2016-2025 African industrialization strategy. When the bridge begins to be used by pedestrians as well as vehicles the regional economy receives a boost as traffic in the North-South corridor will increase as this is the leading trade route that links the Durban port in SA to Zimbabwe, Mozambique, DRC, Zambia, Dar Es Salaam, Botswana, and Malawi, this will result in open markets. The bridge is expected to open in 2020 and is expected to enhance regional trade, increase global competitiveness as time-based trade, and transport costs will decrease from three to eight days that it was before to less than half a day (African Development Bank Group, 2018).

4.5. Challenges faced by the African Development Bank

4.5.1 Introduction

There are different views on how AFDB deals with issues, some see the AFDB as an important organization that makes a great contribution to African countries while others blame it for financial problems in other African countries. This section evaluates the challenges faced by AFDB in dealing with problems in the region.

Economic/ Political instability and conflict

The OECD has labelled 59 countries as fragile of that 59, 35 are in Sub-Saharan Africa, which is 76% of the countries in Africa. In 2017 36,1 million Africans had to migrate because of decreasing economic mobility opportunities. If the migrating challenge is not addressed, people migrating in Africa will increase, which will put pressure on the international community to take in these people, and this will lead to destruction in their economic and political development. AFDB is faced with the challenge of weak governance and the absence of the rule of law; this influence private investments as this causes social and economic development to be limited. The AFDB is faced with the challenge of trying to promote the private sector as investors believe that Africa comes with unfavourable macroeconomic policies, pervasive corruption, and political instability. For the private sector to invest in Africa, the investors want transparent, enforceable laws that will provide confidence and stability (Runde, 2019:3).

AFDB needs to find ways to expand infrastructure, AFDB estimates that $87 billion are required by the continent and an additional $112 billion so that people's needs are met. The health population is the biggest problem in Africa as the most hungry people in the world are in Saharan Africa the number went from 200 million in 2015 to 224 million in 2016 this is caused by conflict as well as the changing climate. The AFDB needs to look at the tools and approaches they use in countries to help with economic development and bolstering the private sector (Runde, 2019:4).

The AFDB faces a structural dilemma with regards to how governance is arranged; this results in the bank not being able to raise money so that they can finance their activities. Operational decisions benefit borrowers more as they have more voting power; therefore, non-borrowers find it challenging when it comes to taking the initiative on operational policies because to do this, they need to work with borrowers which they are unable to do. AFDB shareholders are unable to manage trade-off, such as the ability to increase contributions and capital from piper received from shareholders. Unlike the World Bank, AFDB does not have adequate funding, and without proper funding, they cannot recognize their potential long-term comparative advantage as a regional bank; this will affect their ability to support difficult economic and social reforms. According to (Birdsall, 2018:21), the AFDB needs to change the structure of its governance to achieve growth as a developmental financer and for them to be effective.

Middle-income countries loans

The AFDB has non-concessional finance whereby eligible ADF countries are given grants for debt relief; this is intended to bring the country's debt to sustainable levels, which will also allow priority development expenditure to be prioritized. The lending from non-concessional finance is declining; this is a threat to the everyday running of the institution. The AFDBs basic financial model is threatened when non-concessional lending weakens; this shows that the AFDB is not focusing on borrowing middle-income countries. Government structures are becoming more complex, and there is more demand for the bank to improve its services, therefore, making it difficult for the bank to be more useful to middle-income countries. Middle-income countries are not pro-traditional development loan conditions (Christopher, 2014: 20).

FDB financial policies and business policies

Market-based lending is declining; this is caused by business practices as well as financial policies of the bank. Countries like Angola, Namibia, Botswana, and South Africa are not borrowing even though they qualify for lending on non-concessional terms, and they have investments, and taking a loan would aid in these needs. Countries in the North of Africa are unable to borrow reason being the AFDB believes that they have a vast portfolio exposure as credit markets perceive them as risky. The environment which the bank operates poses a more significant challenge than the environment of multilateral banks. As a lot of countries in Africa are underdeveloped, and the rest are developing this makes it difficult for the bank to undertake development operations more effectively

In 2012 30 countries in the world were dealing with the issue of violence, and close to 50% of these countries are in Africa. Nigeria, Egypt, and DRC all have one of the most significant populations in Africa; therefore, conflict affects the nation’s population more, and it destabilizes what should be the strongest poles of economic growth (OECD, 2013). The world has 47 fragile states, and 24 out of that 47 are in Africa. The situation that many countries in Africa find themselves leads to the belief that the African country’s implement AFDB investment projects less when compared to countries in other regions. The institutional framework, as well as socio-political stability of many African countries, is weak (Broom, 2019)

External finance is growing in Africa, and in some cases, they are replacing the AFDB. India and China are becoming more attractive in Africa, and the Brazilian development Bank is following in their footsteps. BRICS members are coming up with more MDBs, which will play an even more prominent role in African operations. The region's FDI was $12 billion in 2012, and it increased to more than $60 billion in 2012. African governments are gaining more access to markets. AFDB now has to deal with competitive pressure, which did not exist before as African countries may go the route of borrowing from other financers rather than the AFDB reason being how fast the lending process is; there are no safeguards environmentally, socially, or for a specific country political benefits. The borrowing country sees this ability to choose as a decisive factor; however, it does come with negatives. Political leaders may be shellfish in their borrowing as they may take expensive loans to benefit themselves in the short-term, that money will not go to the development of the country, but rather it will lead to an increase in the debt load. The IADB in America, as well as the ADB in Asia, were also faced with the same problems as the AFDB; however, they were able to act quickly and make sure they would make changes that would make them more attractive to countries that are borrowing from them (Velde, 2014).

Most African countries are becoming more sceptical from borrowing from the AFDB is their driving style as it is believed to be inflexible and bureaucratic, borrowers believe that the AFDB treats them as if they do not have any other option but to take loans from them. This is not the case, and the bank needs to change how they operate to keep up with the change that has taken place within the economy. More private sector companies would like to work with the AFDB however they are against the hurdles you face and the delays instead they opt to pay interest rates that are ridiculous as these delays would result in high economic projects experiencing opportunity costs (Broom, 2019).

The bank takes close to two years to give out a loan as it starts with preparation and disbursement, resulting in countries taking from external finances who are quicker as a loan can be approved in weeks. The AFDB has a range of policies, procedures, and requirements that need to be followed to access their funds as much as this is beneficial in ensuring that the quality of the products approved is of high standards there is so much oversight and control (Christopher, 2014: 27).

AFDB is not at the same level as other MDBs

The World Bank and the AFDB have the same time frame when it comes to loan approval this though it makes them slower than the other two regional banks. The PTA bank which is located in South Africa, as well as the BOAD which is in West Africa, are after AFDB clients and they are faster than AFDB an advantage that these banks have is that they do not have to base their decision on input from non-borrowing members which slows the impact that is having governance and shareholders in loan approval policies can be detrimental. The implementation of projects by AFDB is also a problem as the time that a borrower had to wait to be approved ten months in 2012, but this increased to 11 months in 2013. In 2012 the IADB calculated the gap between how effective it is and its first disbursement, which was 21 days for countries and eight days for other companies compared to the AFDB who takes 60 days (IADB, 2012). The

AFDB is limited by financial weakness, policies driven by shareholders, and how they view the capital market; this affects how they provide funding to their member countries. Expanding non-concessional lending more to the private sector will help AFDB increase its relevance in this competitive market. In the 1980-1990 debt crisis, the AFDB suffered as many countries that had borrowed from them were faced with severe debt, and the financial stability of the bank was not sure, which is why the bank imposes such strict measures as compared to other MDBs.

Achieving Inclusive Growth

According to the African development bank group (2012:2), inclusive growth is “economic growth that results in wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries while protecting the vulnerable all being done in an environment of fairness and equal justice.” African economies are growing; however, poor citizens within the continent’s needs cannot be met by growth alone. The economic outlook report of 2020 has shown that the African economy is improving as it is currently higher than the global average. African growth went from 3,4% in 2019 to 3,9% in 2020 and is expected to increase. The report does note that the figures above do not show the whole story as the poor are not benefiting from this robust growth; this is a barrier to inclusive growth. Only a few African countries had a significant decline in extreme poverty and inequality, as extreme poverty and inequality in Africa is higher than in other regions. The report showed that inclusive growth in Africa only occurred in 18 out of the 48 countries (African economic outlook, 2020).

4.6. Conclusion

Chapter four has looked at the data presented in chapter two in detail and has answered the key research questions of the thesis. The chapter was structured in a way which elucidates Africa’s development particularly economic development, it looked at the challenges Africa faces with regards to development, what role traditional IFIs have played in Africa’s economic development, and lastly used the case study of the African Development Bank to answer two key research questions of the contributions and challenges the AFDB has faced.

Chapter five: Conclusions and Recommendations

5.1. Introduction

This chapter will give a summary of Africa's current development. The chapter will provide possible recommendations on how IFIs should develop their relationship with Africa and how economic development can be achieved. The chapter further gives findings on the relationship between IFIs and Africa's development, which was discussed in the research literature to do this; it will draw attention from the aims and objectives of the research. This chapter seeks to provide a summary that will give a clear picture and simplify the research by combining all the data gathered and entire research to understand IFIs role in Africa's development and what led to the creation of the AFDB, which is the research's case study.

5.2. Where is Africa currently

It is a challenge to determine the exact level of Africa's development reason being the predominant difficulties that Africa faces politically, socially, and economically. Rostow's stages of development mentioned in chapter 5 assist in determining a country's level of development however you cannot rely on those stages alone reason being the continent had some stages of breakthrough and later stagnant as a result of internal and external forces

In the past years, Africa was painted as a child that needed to be developed, a threat, continent filled with terrorism, forced migration as well as health care problems. However, it is essential to note that despite the challenges, Africa has improved throughout the years and is beginning to shape its destiny. It is essential to acknowledge the progress that Africa has made, however in acknowledging the progress, do not lose focus on continuing to improve the continent. The continent has improved in different aspects.

Africa's economic growth rate was estimated at 5% per annum; however, economic growth was 3,4% in 2019 and is expected to increase by 0,5% in 2020 and reach 4,1% by 2021. The reason for this growth rate to be lower than expected is the big five which mainly consist of Nigeria, South Africa, Morocco, Algeria, and Egypt their combined growth rate was only 3,1% compared to the rest of Africa which sat at 4% (African economic outlook, 2020: 1)

For the first time in years, investment in Africa accounts for more than 50% of GDP growth dynamics. Oil prices recovered, which allowed Net exports to make a significant contribution to commodity exporters. Metal and food are Africa's major export commodities; these two were affected when the global trade volume growth decreased by 4,6% from 2017 to 2019. The next two years are critical for some Africa countries as it will be a period of the election in countries such as Burkina Faso, Cameron, and Niger, during this period public spending may have to increase, and this may undermine the plans for fiscal consolidation (African economic outlook, 2020:2)

The debt crisis is still a significant problem in African countries this has had a negative effect on the economy, the current median ratio of government debt to the GDP is above 50% which is more than 12% of what it was a decade ago. Africa faces a global recession this year as commodity prices are expected to decrease because demand will decrease. It will be a challenge for many African countries to manage their debt as interest rates are continuing to increase as governments are paying interests of 5-16% on 10-year Eurobonds. IMF has argued that African countries are piling on their debt without taking into consideration the exchange rate risk as well as the cost they will incur when paying back the debts (Adegoke, 2019)

According to the IMF, the Sub-Saharan Africa economy is one of the world's fastest-growing economies. Global economy improvements, as well as capital market improvements, have led to the growth after the commodity price slump of 2014-2015 African countries prioritized getting their fiscal books in order (Adegoke, 2019).

This research has answered all key questions mentioned in chapter one. The research questions are what guided this research and will be discussed below.

5.3. Major challenges to Africa's development

It has been clearly stated in the paper that there are various challenges to Africa's development. The first challenge is human development as Africa's failure to improve access to education; it is said to be experiencing an educational crisis. Africa's health care system is improving at a very slow pace as countries are only spending 10% of their GDP on the health systems, and there is a shortage of nurses and doctors. Second is economic development; there is an increase in poverty and inequality in the continent. Africa's economic underdevelopment is credited to colonialism, neo-colonialism argues that taking loans from the World Bank and the IMF is proof of the link between an exploitative force of former colonizers and independent African governments. The third is good governance, Africa has a problem of corruption, and this resulted in public policy to be undermined, resources to be misallocated, and market sectors are deemed inefficient. Fourth is infrastructure development; infrastructure deficits are barriers to Africa's competitiveness; the global manufacturing share is not proportionate to the continent's population. Power is one of Africa's biggest infrastructure problems as the continent is experiencing regular power outages resulting in investment companies needing to find other alternatives, which is a cost to them. These are some of the challenges that Africa has faced when trying to achieve development.

5.4. Role of the IMF and the World Bank in Africa's economic development

The World Bank and the IMF introduced structural adjustment programmes which were loans provided to countries with economic turmoil. SAPs were meant to make Africa more market oriented. SAPs implemented neoliberal policies by promoting the private sector and free-market trade more than anything. SAPs failed to promote growth in Africa and worsened the external debt crisis. According to the two institutions, the trading system is the reason for the African crisis. World Bank and IMF proposed privatization to promote development in the private sector as privatization is believed to lead to a decrease in tax and promotes good governance. As mentioned in chapter four, the world bank and IMF played a role in Africa's development, however judging from the beginning of their assistance policies like the SAPs left a lot to be desired. IFI critics have argued that Bretton woods institutions are dodgy when it comes to what assistance they have provided when it comes to developing Africa.

5.5. Major Challenges Facing African Development Bank

Africa is faced with economic and political instability and conflict; the OECD labelled 59 countries as fragile, which is 76% of Africa's countries. Economic mobility opportunities are decreasing; this is caused by migration if the migration challenge is not addressed people migrating in Africa will increase, which will put pressure on the international community. AFDB needs to expand its infrastructure. Lending from non-concessional finance is declining, and this is a threat to the running of the institution as the bank is not focusing on borrowing middle-income countries; this has led to market-based lending to decline. External finance is growing in Africa and, in some cases replacing the AFDB as BRICS members are coming up with more MDBs that will play a more prominent role. More countries are sceptical about borrowing from the bank as well as private sector companies; they would rather pay a higher interest rate. The biggest challenge faced by the bank is Africa countries decrease trust in them, as mentioned in chapter 5.

5.6. What contributions have the AFDB made in Africa?

As discussed before, the biggest contribution made by the AFDB is creating an African bank that will specifically deal with African issues, and this allows the bank to have a more progressive vision on how Africa engages with the world economy. So far, the AFDB has increased private sector operations, which is one of the most critical components of the bank.

The bank also increased its support for infrastructure and regional integration, as this enables economic growth and production. The amount that the AFDB has invested in infrastructure has accounted for more than half of the improvements in Africa's economic growth and is likely to increase in the coming years. The bank also increased the support for extractive industries and worked with bilateral partners to provide transparency and governance. The bank has been able to manage the crisis effectively, such as the 1995 crisis that was a threat to the bank's operations. Lastly, the bank has opened African markets; they did this through projects which they funded, projects such as the Kazungula bridge.

5.7. Recommendations

Based on the study above, several recommendations can be submitted.

Both the traditional IFIs and AFDB have attempted to make positive strides towards fostering development in Africa. Despite this, however, the overall impact of these institutions in improving the overall development in Africa remains challenged.

To assist in improving development in Africa and the role AFDB plays the study has proposed the following recommendations:

5.7.1. Promote Economic Development

One of the main objectives of the AFDB is economic development and sustainable growth. Africa's economic difficulties are a result of factors such as colonialism, the economy not being managed effectively, implementing poor policies and structural adjustment programmes (Udzodike: 1999). These factors make it difficult for Africa to transform and develop until this day. For Africa to solve economic development problems, these growth and development initiatives have been recommended:

- Increase private sector development

  The private sector is seen as one of the main factors to development as it leads to job creation. As a critical factor to development, the private sector can receive investment aid directly, be a contractor in implementing aid, and combine the strengths of different shareholders. Africa's entrepreneurial energy needs to be released, as this will result in long-term economic growth. Economic activity in the private sector can lead to job creation, and this will lead to enough tax revenues for social service investment.

- Improve governance

  The government and other actors need to be more transparent and accountable when it comes to their actions. Economic development cannot be achieved without good governance. If good governance does not exist that the continent will be stagnant and will decrease, this is evident in countries such as Zimbabwe. Africa lacks good governance because most of its leaders still implement policies like the western world. In doing so, these leaders fail to take into consideration one crucial factor that development in Africa can only be achieved through policies that take into consideration African history and culture. For the continent to develop economically, liberation struggles need to be recognized as relevant

- Balancing the population and environment

Africa is rapidly growing in terms of population this poses a challenge to development by 2050 the population is expected to be double than what it is 2019 the population was 1,3 billion and 2050 is expected to be 2,5 billion (Ezeh and Feyissa, 2019), for the continent to achieve economic development available resources need to be utilized to meet the demands of the growing population and creating mechanisms for sustainable development. Africa can solve the economic development problem by managing the increase in population while it is still early. They need to solve sustainable development problems now so that the needs of the 2050 population can be met.

5.7.2. Provide capacity development for structuring deals

According to The World Bank Group (2019), many African countries, particularly in Sub-Saharan Africa, have improved by incentivizing private sector development. The AFDB can strengthen its institutions and mobilizing private capital into Africa by using its private-sector lending arm. AFDB provides legal expertise so that commercial transactions can be negotiated; this is one of the bank's most effective tools. This legal expertise can be adjusted so that countries providing financial input can get the best deals. Legal expertise can increase private sector investment in Africa; this can be done through structuring and negotiating deals. Legal expertise could also aid technical experts in-country who carries out work initiated by the AFDB.

5.7.3. Promoting regional stability

Many African countries trust AFDB; this makes them a great asset to nations when it comes to conflict and violence resolution. The AFDB can improve its support to the fragile and post-conflict state through the transition support facility, which was established to address weaknesses in performance-based allocation (PBA) of low resources compared to the needs and demands of fragile states. The bank needs to rebuild the social contract between civil society and governments by providing a trustworthy relationship that other MDBs do not provide. The AFDB can improve the advice they give the government on creating conditions that are favourable for a conflict-free, stable society.

5.7.4 Private sector jobs need to meet increasing youth population

The youth that will be looked at ranges from 15-24 years in the next 10 years youth is expected to grow by 100 million. Work opportunities in the continent do not match the growing youth population. In Nigeria, in 2017, more than 4 million secondary graduates were unemployed (Taiwo, 2017). To combat the youth unemployment issue is to create an environment that will allow growth to take place and increase entrepreneurship to provide more job opportunities. 2016 the AFDB created the Jobs for Youth in Africa Strategy (JFYA), which was created to provide support to African countries so that they can deal with the unemployment as well as the underemployment crisis in Africa will be done through education and training and jobs that are transformative. The JFYA aims at creating 25 million jobs by 2025 and to improve the youths hard and soft skills so that they can be more employable (African development bank group, 2016:4-8), the AFDB needs to launch prizes for private sector actors to come up with solutions that are market-based and will be able to deal with youth unemployment they can do this by providing small and medium enterprises (SME), with on-lending or by linking SME's and financial institutions through credit lines this will increase investment.

AFDB focuses on different issues affecting Africa; this results in programmes being duplicated with other organisations that are also created to develop Africa. This results in the bank's capacity to be stretched. The United States Agency For International Development (USAID) and the AFDB have similar projects such as the renewable energy and power access projects which are happening in the same country under the guidance of these two actors one example would be the “Ethiopia Renewable Energy Programmes” as well as “Scaling off-grid energy” by USAID both these projects are in the same place.

5.7.5 Focus on one sector at a time

The AFDB can focus more on infrastructure than other sectors as infrastructure as infrastructure is one of the main constraints to growth, and by focusing more on it, the bank can make a big difference. Electricity, transportation, and water have been one of the most significant infrastructure barriers to developing the private sector. This paper is not recommending that the AFDB focuses entirely on infrastructure and ignore other sectors mentioned earlier they need to deal with these areas; however, tackling infrastructure problem will make it easier to achieve recommendations mentioned earlier. Therefore, the AFDB needs to improve infrastructure as it is critical to Africa's development. The reasons why the AFDB needs to put more emphasis on infrastructure are:

- The bank already has the needed experience in developing infrastructure, and new project approvals are increasing, so the bank is already building a positive reputation in this sector
- Infrastructure development as a focus allows the bank to remain relevant to borrowers as it is a strong demand amongst AFDB borrowers
- The NEPAD gave the AFDB the responsibility of infrastructural development; therefore, the bank has an existing mandate concerning infrastructure development
- Investment in infrastructure connects poor people to the market, promotes regional integration, and is a tool for how goods and services flow

5.8. Summary

This research has looked at what development is as well as what economic development is and what it entails. The research has also looked at the beginning of Africa's development, aided by IFIs. The world bank and the IMF, notably the two largest international financial institutions in had good intentions in trying to develop Africa, but their actions left Africa underdeveloped, human growth was poor, and an increase in the poverty rate which was outlined in the research. The structural adjustment programmes and conditionalities imposed by these two institutions left the continent to be impoverished.

Development was reviewed in this research, particularly economic development. Economic development was slowly rising after African countries received independence, but this changed when the countries began taking loans from the IMF. Developing countries were promising and showing improvement; however, after SAPs and the conditionalities, African economies were diverted into free fall.

The study used the case study of the African development bank, which has made significant improvements in Africa. There was an improvement in the bank's lending and management practices despite this; they still needed to reconcile regional and non-regional member interest. As non-regional members are continuing to support the bank, AFDB is likely to 1 AFDB in their efforts to recover and establish themselves as the leading player in Africa's social and economic development. The challenges faced by the bank are a result of Africa's context of low growth, being excluded from the world trade and global investment expansion, and small fragmented economies. As the AFDB continues to supply loans to African states, they need to operate effectively as other players are also interested in funding Africa, and they come with deals that are difficult for African countries to resist.

In chapter three the neoliberal theory and dependency theory were used to examine IFIs role in Africa's development, from the Neoliberal theory, it was gathered that The World Bank and the IMF imposed Neoliberalist ideas in trying to develop Africa, however, these had a negative impact as the continent continued to be stagnant as ordinary people were marginalized. From the dependency theory, it was gathered that African countries are dependent on international institutions who in turn impose conditions that they cannot control.

Responsibility for AFDBs difficult history rests on many players. Pressure from different angles resulted in the bank forgetting their mission. It messed up the operations that they had already built, and their ability to make strategic decisions was undermined. All this pressure resulted in the bank to almost collapse in 1995, which was challenging to overcome these effects; currently, the bank is seen as a development agency that is experiencing problems in reasserting itself as the main player in Africa's development. There is no quick fix to developing Africa; the creation of the AFDB has shown a change in the right direction as it allows Africa to play a leading role in their development, which will make it more meaningful to the African people once achieved as they would have all participated. Corruption issues and inefficient running are some of the issues Africa faces, but the existence of the AFDB shows that Africans are independent enough to follow their development programmes.

5.9. Conclusion

This study has briefly explained Africa's current development and how it has improved throughout the years despite the challenges faced, it gave a summary of the research problems mentioned in chapter one. The research has outlined and explained important recommendations, which states and AFDB need to understand and implement for Africa to develop. The study provides a summary of the research. This study has outlined the connection between IFIs and Africa's development, particularly economic development. The research shows that AFDB has the potential to achieve economic development in Africa. It would be unfair to say IFIs are the reason for Africa's economic development or lack of as it has been shown in the research that the World Bank and the IMF did have a bit of a positive effect on Africa. The different IFIs played a different role in Africa's development as some such as the AFDB had a positive impact while others such as the World Bank and IMF have had a marginal role in the continent's development thereby showing the relationship Africa had with IFIs as discussed in the Research.

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