CENTRAL BANK OF NIGERIA

UNDERSTANDING MONETARY POLICY SERIES NO 10

NIGERIA'S ENGAGEMENT WITH BRETTON WOODS INSTITUTION

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Aims and Scope

Understanding Monetary Policy Series are designed to improve monetary policy communication as well as economic literacy. The series attempt to bring the technical aspects of monetary policy closer to the critical stakeholders who may not have had formal training in Monetary Management. The contents of the publication are therefore, intended for general information only. While necessary care was taken to ensure the inclusion of information in the publication to aid proper understanding of the monetary policy process and concepts, the Bank would not be liable for the interpretation or application of any piece of information contained herein.

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Central Bank of Nigeria

Mandate

- Ensure Monetary and Price Stability
- Issue Legal Tender Currency in Nigeria
- Maintain External Reserves to safeguard the international value of the Legal Tender Currency
- Promote a Sound Financial System in Nigeria
- Act as Banker and Provide Economic and Financial Advice to the Federal Government

Vision

"To be a people-focused Central Bank promoting confidence in the economy and enabling an improved standard of living"

Mission Statement

"To **ENSURE** Monetary, Price and Financial System Stability as a Catalyst for Inclusive Growth and Sustainable Economic Development."

Core Values

Integrity

Partnership

Accountability

Courage

Tenacity

MONETARY POLICY DEPARTMENT

Mandate

To Facilitate the Conceptualization and Design of Monetary Policy of the Central Bank of Nigeria

Vision

To be Efficient and Effective in Promoting the Attainment and Sustenance of Monetary and Price Stability Objective of the Central Bank of Nigeria

Mission

To Provide a Dynamic Evidence-based Analytical Framework for the Formulation and Implementation of Monetary Policy for Optimal Economic Growth

FOREWORD

The Understanding Monetary Policy Series is designed to support the communication of monetary policy by the Central Bank of Nigeria (CBN). The series therefore, explain the basic concepts/operations, required to effectively understand the monetary policy framework of the Bank.

Monetary policy remains a very vague subject area to the vast majority of people in spite of the abundance of literature on the subject, most of which tend to adopt a formal and rigorous professional approach, typical of macroeconomic analysis.

In this series, public policy makers, policy analysts, businessmen, politicians, public sector administrators and other professionals, who are keen to learn the basic concepts of monetary policy and some technical aspects of central banking, would be treated to a menu of key monetary policy subject areas that will enrich their knowledge base of the key issues.

In order to achieve the primary objective of the series therefore, our target audience include people with little or no knowledge of macroeconomics and the science of central banking and yet are keen to follow the debate on monetary policy issues, and have a vision to extract beneficial information from the process. Others include those whose discussions of the central bank makes them crucial stakeholders. The series will therefore, be useful not only to policy makers, businessmen, academicians and investors, but to a wide range of people from all walks of life.

As a central bank, we hope that this series will help improve the level of literacy on monetary policy and demystify the general idea surrounding monetary policy formulation. We welcome insights from the public as we look forward to delivering contents that directly address the requirements of our readers and to ensure that the series are constantly updated, widely read and readily available to stakeholders.

Hassan Mahmud
Director, Monetary Policy Department
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Abstracts

The establishment of the Bretton Woods institutions, which comprises the World Bank and the International Monetary Fund (IMF), represented a major shift in the global ideological spectrum and political power, which resulted in the emergence of a new economic order upon which the foundations of contemporary economic systems are built. These institutions play critical roles in safeguarding global financial and macroeconomic stability and promoting economic development and equal opportunity across the globe, through direct lending, advocacy, surveillance, policy advice and technical support to member countries. This Series discusses the evolution of the twin Bretton Woods institutions since1944, highlighting their functions and activities, and zeroed in on their engagements with Nigeria. Although the discussions revealed that Nigeria has been a major beneficiary of aids from both institutions, there was no counterfactual to evaluate the overall benefits of these engagements. The Series concludes by providing perspectives on the assessment of the work of these institutions, in terms of engendering growth, enabling economic prosperity and promoting equal opportunity among its members, and offered some recommendations.

CONTENTS

SECTION ONE

INTRODUCTION

Historical accounts by Gautham (2014) notes that the original idea behind the Bretton Woods system was to create a coalition for international capitalism, including banks, farmers, and unions, premised on full employment and increasing prosperity. The objectives were to reinvigorate trade, capital mobility, and fast-track the reconstruction of Europe, following the devastation of World War II. Bretton Woods was to serve as the face of a post-war international economic order. Between July 1-22 1944, in New Hampshire, USA, 730 delegates from 44 countries (nations that were united against fascism, including Latin American nations and Western Europe), deliberated and signed the Bretton Woods agreement. The negotiations were dominated by two personalities; Henry Desmond White, a Treasury Official of the United States, and the British Economist, John Maynard Keynes, while President Roosevelt of the United States, championed the process, amidst intellectual/technical conflict and political compromise.

The agreement entailed the establishment of the International Bank for Reconstruction and Development (IBRD) to fast-track the reconstruction of Europe; the International Monetary Fund (IMF) to address the balance of payments imbalances and avert financial crisis; and the creation of a system for coordinating exchange rates (adjustable peg) to enable countries to facilitate trade without having to stick to the gold standard. Consequently, national currencies were expected to be pegged against the dollar at a fixed exchange rate; with the dollar anchored on gold at a fixed price of $35 per ounce. The adoption of the US dollar as the gold standard, reflected the economic and political influence that the United States wielded at the end of WWII. To date, the United States enjoys an effective right of veto over key decisions of the IMF and the World Bank.

The roles of these institutions have evolved, with the World Bank focusing on providing long-term development assistance and poverty eradication. Its loans are used to finance sector-based infrastructural projects, as well as broader structural reforms. The IMF pursues international monetary cooperation among countries through surveillance and lending to countries to address the short-term balance of payments difficulties to ensure macroeconomic and financial sector stability. Both institutions have overlapping functions, particularly in times of severe financial crisis or in facilitating the transition of economies. The Boards of Governors of the IMF and the World Bank Group meet once a year (September or October), during the IMF-World Bank Spring and Annual Meetings, to discuss the work of their respective institutions. The meetings have been customarily held in Washington for two consecutive years and in another member country in the third year. Although the

Bretton Woods institutions have complementary mandates in promoting sustainable economic growth and reduction of poverty, they are distinct (Table 1).

Table 1: Differences between IMF and World Bank at a Glance

	IMF	World Bank
Establishment	July 1944	July 1944
Objective	Ensure the stability of the international monetary system	Promote economic and social progress in developing countries by helping to raise productivity so that their people may live a better and fuller life
Membership	190 countries	189 countries.
	Not, primarily a lending institution as is the Bank promotes exchange stability and orderly exchange relations among its member countries	Primarily lends and assists developing countries through long-term financing of development projects and programs
Size and Structure	Small with about 2,300 staff. 95% of its staff work in Washington D.C.	Consist of the IBRD and the IDA, with over 7,000 staff.
Staff	Mostly Economists and financial experts	Highly multidisciplinary: economists, engineers, agronomists, statisticians, lawyers, project appraisers, agronomists, etc.
Source of Funding	quota subscriptions, or membership fees, paid in by the IMF's 182 member countries. In highly restrictive circumstances, borrows from official entities	acquires most of its financial resources by borrowing on the international bond market Bond issuance guaranteed by member countries' governments. IDA is financed by grants from donor nations.
Recipients of funding	Lends to both poor and wealthy nations and repayment is usually between 3 to 5 years and no later than 10 years	Lends only to creditworthy governments in developing countries to be repaid between 12-15 years
Financial capacity	Has a lending capacity of $1 trillion to member countries. A total SDRs of 204.2 billion (equivalent to about US$293 billion have been allocated to	Has an authorized capital of $184 billion, of which members pay in about 10 percent

members. Reserves $303 million for hands-on technical advice, policy-oriented training and peer learning

Source: Compiled from IMF website

Over time, the structure and functions of these institutions have evolved in response to changing socio-economic and political conditions. For instance, the role of IMF was significantly modified following European countries' unwillingness to make their currencies convertible (until 1958), due to the post-war economic crisis confronting them at the time. Also, by the 1950s the focus of the World Bank had shifted from funding the rebuilding of Europe to financing development in underdeveloped countries. Much of the reforms in the Bretton Woods institutions were, however, prompted by the deafening calls for reforms on the undemocratic representation of the global south, as indicated by the skewed voting power in favour of rich nations. There were also issues about the efficacy of Bretton Woods support and programmes in stimulating growth and development in developing countries, and most of these challenges are very much present till date. Like most developing countries, Nigeria is a member of the Bretton Woods institutions and one of its most important partners in sub-Saharan Africa. The country enjoys support in the form of loans, technical assistance, including training and policy advice from both institutions.

Opinions differ regarding the relative effectiveness of these institutions in pursuing their objectives, non-localised strategies in dealing with domestic challenges; participation of developing member countries in key decision-making. Specifically, there is an increasing voice for reforms to increase the voting power of less developed economies in Bretton Woods institutions. The expectation is that these institutions would constantly adapt their functions to the ever-changing macroeconomic and political environment, to maintain their relevance.

This Series explores the twin Bretton Woods institutions, the World Bank, and the IMF, highlighting their evolution, objectives, role in global economic development, and critique. It also examines their activities, programmes, and facilities, in the context of their relationship with Nigeria.

The Bank's approaches to supporting infrastructure projects have also been modified. In transportation projects, greater attention is given to constructing farm-to-market roads. Rather than concentrating on cities, power projects are increasingly carried out in villages and small farms to provide lighting and power. Industrial projects place greater emphasis on creating jobs in small enterprises, while the use of labor-intensive construction is encouraged. Other areas of the Bank's support include the development of oil, gas, coal, fuelwood, and biomass as alternative sources of energy.

SECTION TWO

The International Monetary Fund: Programmes and Facilities

This section discusses the International Monetary Fund (IMF), its history, structure, operations, and relationship with Nigeria.

2.1 Origin

Although the IMF was conceived alongside the IBRD, in July 1944 to avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s and to help European countries address the widespread balance of payments challenges; it eventually came into existence on December 27, 1945. The inaugural meeting of the Board of Governors took place in Savannah, Georgia, the USA on March 8, 1946, and commenced operations on March 1, 1947. Membership has increased from 38 at inception to 190 as of 2020. At inception, the broad focus of the IMF was currency liberalization and deficit financing to governments, as it sought to eliminate trade restrictions and facilitate capital mobility and pressured member countries to act along these lines. The primary mandate of the organization is to coordinate international monetary cooperation and promote financial system stability and soundness, globally. Although the IMF lends to governments, it is not primarily a lending institution like the World Bank.

2.2 Rationale for Establishment

The Great Depression of the 1930s brought untold hardship and forced every country to abandon the gold standard. To shore up their failing economies, countries adopted purely nationalistic policies imposing trade restrictions, exchange controls, and exchange rate depreciation to encourage exports and curtail citizens' freedom to buy goods abroad to hold foreign exchange. This further brought a remarkable decline in world trade and global prosperity. This was exacerbated by the negative effect of WWII on the external balances of most countries. The fear was that if nothing was done, the global economy would snowball into another major economic crisis. The agreement represented a shift from fascism to democracy, and countries that shared in the new ideal were expected to onboard. Against this backdrop, the Bretton Woods conference was conceived in July 1944 and gave birth to the IMF as one of the two institutions to pilot the new world economic order.

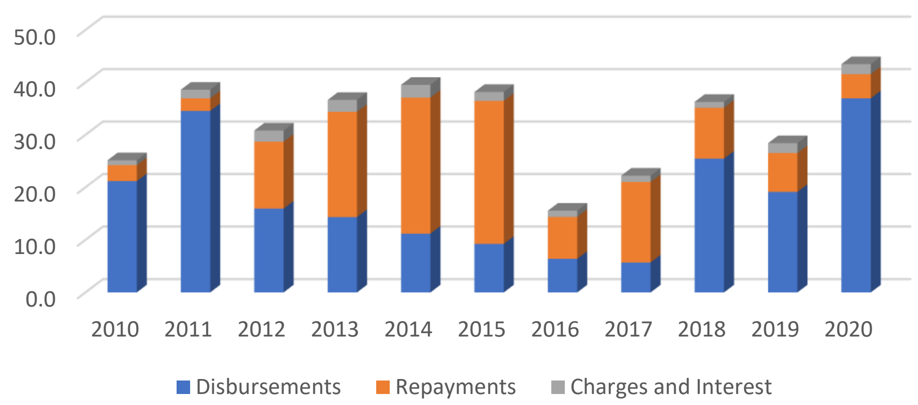
Seeking to restore order to international monetary cooperation/relations, the IMF's founders, championed by the United States of America and the United Kingdom, conceived an institution that would oversee the international monetary system to ensure exchange rate stability and encourage member countries to eliminate exchange rate restrictions that hinder trade. Members were required to sign and abide by the IMF Articles of Agreement which constitutes a code of conduct and duly inform the IMF when it contemplates changes in financial and monetary policies that would affect fellow members' economies. Article 1 of its code states the IMF's mandate to include:

- Promotion of international monetary cooperation,
- Facilitation of the expansion and balanced growth of world trade,
- Maintenance of high levels of employment and real income,
- Promotion of exchange stability,
- Temporary provision of financial resources to correct balance of payments positions without resorting to measures destructive of national or international prosperity, and
- Lessening the degree of disequilibrium in the international balance of payments of members (Truman, 2005).

To achieve its objectives, the IMF undertakes the following functions:

- Surveillance – gathering data and assessing economic policies of countries.
- Technical Assistance – Strengthening human skills and institutional capacity of countries
- Financial Assistance – lending to countries to support reforms

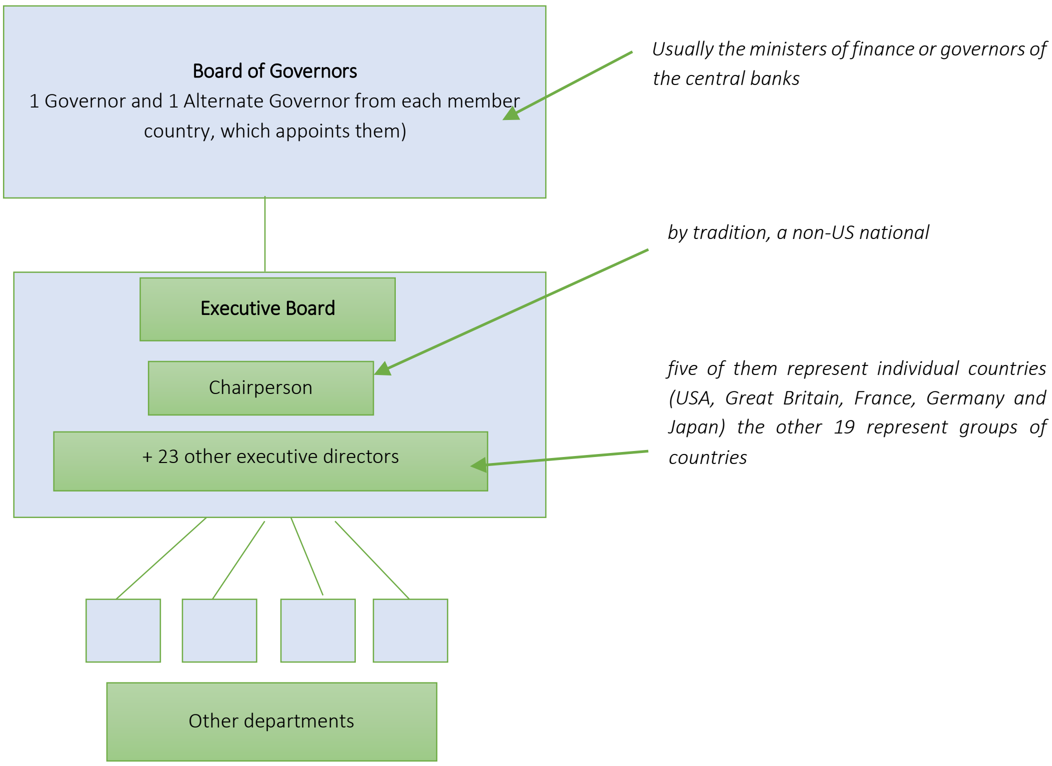
Figure 2: IMF Loan Disbursements, Repayments and Charges in Billions of SDRs (2010-2020)



2.3 Governance Structure

The Board of Governors is the highest decision-making body of the IMF. It is composed of a Governor and one Alternate Governor for each member country. The Governor is appointed by the member countries and is usually the minister of finance or the head of the central bank. Although the Board has delegated most of its powers to the Executive Board, it retains the right to approve quota increases, Special Drawing Right (SDR) allocation, the admittance of new members, compulsory withdrawal of members, and amendments to the Articles of Agreement and By-Laws (IMF, 2021). The Board also elects or appoints executive directors and is the ultimate arbiter on issues related to the interpretation of the IMF's Articles of Agreement.

Figure 3: IMF Organizational Structure



2.4 Evolution of the IMF

The IMF has undergone two distinct phases in its over 70 years of existence. In the first phase, which ended in 1973, the IMF oversaw the adoption of general convertibility among the major currencies, supervised a system of fixed exchange rates tied to the value of gold, and provided short-term financing to countries in need of a quick infusion of foreign exchange to keep their currencies at par value or to adjust to changing economic circumstances. Difficulties encountered in maintaining a system of fixed exchange rates gave rise to unstable monetary and financial conditions throughout the world and led the international community to reconsider how the IMF could most effectively function in a regime of flexible exchange rates.

After five years of consultations, analysis, and negotiation (1973-78), the IMF's second phase began with the amendment of its constitution in 1978, broadening its functions to enable it to grapple with the new challenges since the collapse of the par value system. First, the IMF continued to urge its members to allow their national currencies to be exchanged without restriction for the currencies of other member countries. As of May 1996, 115 members had agreed to full convertibility of their national currencies. This marked a turning point in the working of the institution, as it shifted focus from monitoring members' compliance with obligations in a fixed exchange system to the supervision of economic policies that influence the balance of payments under a flexible exchange rate environment.

Economic events largely necessitated IMF support and programmes in member countries. The oil price shocks of the late 1970s, resulted in Balance of Payment (BOP) problems for several developing countries. This led to the introduction of support programmes and policies by both the IMF and other International Finance Institutions (IFIs) to mitigate the impact of the oil-induced macroeconomic shock. IMF programmes during this period, were focused on technical support for capacity building in economic and social development and conditional lending.
In the 1980s, the immense debt and external balance crises in many developing countries, saw the IMF canvassing for structural reforms and trade, and exchange rate liberalization. In its support for a comprehensive macroeconomic and structural reforms, the IMF extended its Structural Adjustment Programs (SAP) facility under a three-to-five-year extended arrangements. It also extended the enhanced Structural Adjustment Facility (SAF/ESAF), where it administered concessional loans to low-income developing countries (Stuart and Jafarey,1992). In this period, the IMF was regarded as a firefighter, confronting an endemic debt crisis. There are, however, mixed perceptions about the effectiveness of the programme in countries that adopted it. SAP had an insignificant effect on capital flows, and by the 1990s, sharp capital reversals in Southern American economies and Asia, sparked a financial crisis that required the IMF to renew its focus on enhancing private capital flows. With the changing needs of members, the Fund adopted a partnership approach in addressing challenges in member countries, underlain by conditionalities.

2.5 IMF Services and Nigeria

2.5.1 Nigeria's Membership

Nigeria joined the Fund on March 30, 1961, and in 1962, the Federal Minister of Finance and the Governor of the Central Bank of Nigeria (CBN), were designated as Nigeria's Governor and Alternate Governor, respectively, on the IMF Board of Governors.

Nigeria's Quota and Voting Right

On joining the IMF, each member country contributes a certain sum of money called a quota subscription, as a sort of membership fee. These quotas are, however, reviewed every five years and can be lowered or raised according to the needs of the IMF and the economic prosperity of the member. Members' voting powers are directly related to the amount of money they contribute to the IMF through their quotas, such that those who contribute most to the institution are given the strongest voice in decision-making.

At the inception of the Fund, Nigeria was assigned an initial quota of SDR 50 million, equivalent to 0.34 per cent of total membership quotas. The amount was increased to SDR 135 million (0.47 per cent of the total in 1970) and, during the Sixth General Review of the IMF quotas in 1974, the amount was further increased to SDR 360 million (0.97 per cent of the total) with effect from 1978. By the end of 1997, Nigeria's quota had reached SDR 1,281.60 million and rose further to SDR 1,753.20 million by the end of 2005. As of end-December 2020, Nigeria's SDR was 2,454.5 million. This was equivalent to 26,003 votes and 0.52 per cent of total member votes.

Access to IMF Lending Facilities

IMF lending is typically conditional on the recipient country's undertaking certain agreed policy measures. These may include:

- Commitment to implementing specific policies and measures aimed at resolving balance of payments problems, as stipulated in the arrangement between the IMF and borrowing country. Adherence to the commitments is used as performance benchmarks

- Formulation of an economic programme which underlies the arrangement is done by the country, in consultation with the IMF.

Nigeria has historically benefited from the Fund's facilities most of which fall into six categories: Stand-By Arrangements (SBA), Extended Fund Facility (EFF), Poverty

Reduction and Growth Facility (PRGF), Exogenous Shock Facility (ESF), and Special Drawing Rights (SDR).

Since 1987, Nigeria has not accessed the IMF's Standing Lending Arrangement, which is a form of credit extension that is tied to certain conditions. However, owing to the adverse effect of the COVID-19 pandemic on the Nigerian economy, the government obtained the IMF's Rapid Financing Instrument (RPF), which is available for member countries facing urgent balance of payments needs. Owing to the financing needs of countries sequel to the pandemic, the access limit was raised from 50 per cent of a member's quota per year to 100 per cent. This amount was equivalent to $3.4 billion.

Table 2: History of IMF Lending to Nigeria in Million SDRs

Facility	*Date of arrangement*	*Expiration date*	*Agreed*	*Drawn*	*Outstanding*
Rapid Financing Instrument	4/28/2020	4/30/2020	2455	2455	2455
Standby Lending Arrangement	8/4/2000	10/31/2001	789	0	0
Standby Lending Arrangement	1/9/1991	4/8/1992	319	0	0
Standby Lending Arrangement	2/3/1989	4/30/1990	475	0	0
Standby Lending Arrangement	1/30/1987	1/31/1988	650	0	0
Total			**4,687**	**2,455**	**2,455**

Source: IMF, Nigeria's Financial Position, January 2021

Note: The arrangement requires the member to observe specific terms and be subject to periodic reviews to continue to draw upon it. An outright loan is also approved by the IMF Executive Board, however, it does not require a member to observe specific terms.

Besides these lending facilities, the Fund also provides support programmes and policy initiatives to member countries including Nigeria. These programmes fall into four broad categories: 1) policy advice, 2) technical assistance, 3) training, and, 4) financial support for policies and programmes, and Nigeria benefits from these initiatives, under the underlisted frameworks:

1. **The Medium-Term Strategy (MTS):** The MTS is a blueprint aimed at adapting the institution to the demands of 21st-century globalisation. It contains a component focused on capacity-building and technical assistance. The MTS recognises the crucial role that technical assistance plays in surveillance and the design of IMF lending programmes, as well as helping to rebuild and strengthen institutions in post-conflict countries. However, the MTS also recognises the need to better define the priorities for technical assistance as it underlines the importance of strengthening the role of recipient countries in designing and implementing technical assistance programmes.

2. **Poverty Reduction Strategy Papers (PRSPs):** The PRSPs are prepared by member countries through a participatory process involving domestic stakeholders as well as development partners, including the World Bank and International Monetary Fund. Nigeria's first Poverty Reduction Strategy Paper focused on rapid and sustainable non-oil growth and poverty reduction. This birthed the National Economic Empowerment and Development Strategy (NEEDS) under the home-grown poverty reduction strategy and medium – term strategy (2003 -2007). The programme derived from the country's long-term goals of poverty reduction, wealth creation, employment generation, and value re-orientation. Updates to the programme were intended at describing the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. In the more recent time, the Economic Recovery and Growth Plan (ERGP 2017-2020) and the Nigeria Economic Sustainability Plan (NESP), embody the Sustainable Development Goals (SDGs), which addresses the critical issues of poverty (SDG-1), health, and well-being (SDG-3) and inclusive economy (SDG-8), among other things. The country receives technical assistance from the IMF in realizing the related SDGs.

3. **Surveillance Activities:** The IMF identifies risks to global and financial stability through the surveillance of national, regional, and global economic developments. Article IV of the IMF Articles of Agreement requires the Fund to undertake regular consultations with each member country on economic conditions and policies. The Article commits each member country to pursue policies conducive to the stability of the international monetary system, and global growth and prosperity. Through its consultations, the IMF identifies policy strengths and weaknesses and provides advice to members on any necessary corrective measures. Following these consultations, members of staff prepare a report for considerations by the IMF's Executive Board. In the majority of cases, the Staff Report is published, along with a summary of Executive Directors' view as expressed during the Board's discussion. The latest Article IV Consultations was published on February 8, 2021.

4. **Structural Adjustment Programme (SAP):** The programme was introduced in March 1986 to help countries restore and maintain payments viability, through structural reforms to achieve high and sustainable growth. Under this programme, the concessional resources enable borrowing nations to pursue bolder and longer-term reforms that are needed, and the resources available under this facility are highly concessional. To reverse

the worsening economic fortunes as a result of the collapse of oil price and petroleum output, Nigeria adopted SAP in June 1986 with emphasis on fiscal consolidation, liberalization, and privatization of government-owned enterprises. Although the policy deepened free-market principles in the economy, poverty was exacerbated as the benefits from the programme did not trickle down to the poor (National Centre for Economic Management, 2013).

5. Technical Assistance (TA) Projects:

Technical assistance is meant to boost and update the operations of member-nations economic institutions to ensure a better working economy by offering high quality, typical and effective technical assistance and support. It also helps in training staff and designing economic policies necessary for sound macroeconomic and structural policy reforms. Following the 2005 banking consolidation, the Fund helped to strengthen the CBN's legal powers to close insolvent banks and advanced the legal processes for establishing Asset Management Corporation of Nigeria (AMCON) to minimize the costs of liquidation. The TA specifically designed a programme to effectively supervise the consolidation of banks. The country also enjoys TA from the Fund in the implementation of the Sustainable Development Goals (SDGs).

The Fund also extends technical assistance projects to Nigeria Financial Intelligence Unit (NFIU). The project was aimed at strengthening Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervision in the financial and non-financial sectors; and enhancing the effectiveness and efficiency of the NFIU, as well as the conduct of AML/CFT risk assessment in Nigeria.

SECTION THREE

The World Bank (World Bank Group)

3.1 Origin

The International Bank for Reconstruction and Development (IBRD) was established in 1945 to lend to European countries primarily to rebuild their economies after World War II and the Great Depression of the 1930s. It was the world's first multilateral development bank. It provides technical assistance to member countries for developmental programmes through foreign investment, international trade, and long-term finance. In 1960 the International Development Association (IDA) was established to facilitate concessional lending or soft loans to the poorest nations. Beneficiaries of IDA loans are usually given 10 years of grace, after which they have a maximum of about 40 years to repay the loan. The IDA and the IBRD became jointly known as the World Bank. These two institutions are part of the five (5) institutions referred to as the World Bank Group. The other three (3) are the International Finance Corporation (IFC) set up in 1956 to provide sovereign guaranteed loans to the private sector; the International Centre for Settlement of Investment Disputes (ICSID), established in 1966 to assist countries in the arbitration of investment disputes; and the Multi-Lateral Investment Guarantee Agency (MIGA), introduced in 1988 to promote investments in developing countries, by offering guarantees to investors against losses from non-commercial risks.

Table 3: World Bank Group Commitments, Disbursement and Gross Issuance

By Fiscal Year, Millions of Dollars

	2016	2017	2018	2019	2020
World Bank Group					
Commitments	64,185	61,783	66,868	62,341	77,078
Disbursements	49,039	43,853	45,724	49,395	54,367
IBRD					
Commitments	29,729	22,611	23,002	23,191	27,976
Disbursements	22,532	17,861	17,389	20,182	20,238
IDA					
Commitments	16,171	19,513	24,010	21,932	30,365
Disbursements	13,191	12,718	14,383	17,549	21,179
IFC					
Commitments	11,117	11,854	11,629	8,920	11,135
Disbursements	9,953	10,355	11,149	9,074	10,518
MIGA					
Gross Issuance	4,258	84,842	5,251	5,548	3,961

Source: World Bank Annual Report, 2020

Note: *Includes IBRD, IDA, IFC, Recipient-Executed Trust Fund (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants, and therefore total World Bank Group commitments differ from the amount reported in the Corporate Scorecard, which includes only a subset of trust-funded activities

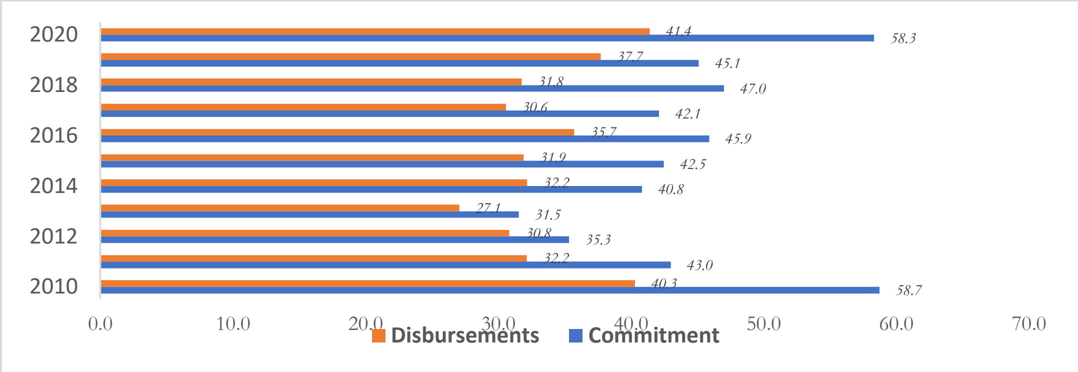
While creditworthiness is the primary criteria for accessing IBRD facilities, the prerequisite for IDA support is a country's relative poverty, measured by its Gross National Income (GNI) per capita, which must be below a revisable threshold (US$1,1185 in FY2021) (World Bank, 2021). Some countries, particularly small island economies, who are above per capital threshold, but are not creditworthy to borrow from the IBRD, are also supported by the IDA. Countries that can borrow from both the IDA and IBRD (e.g. Nigeria and Pakistan) are referred to as 'blend' countries. As of February 2021, 74 countries were IDA-eligible and 69 countries were IBRD eligible.

3.2 Rationale for the World Bank (WB)

The original idea for the establishment of the World Bank was to facilitate the reconstruction of Europe, following the devastation of WWII. However, as development finance institutions emerged, the focus switched to the financing of development in poor and developing economies. Capital remains a major constraint in the development of poor countries. Apart from the shortage of requisite capacity, funds are often inadequate to provide infrastructure to support economic development in poor countries. The World Bank attempts to fill this void by providing lending to governments for long-term economic development for the construction of roads, railway lines, dams, and other infrastructure.

The primary objective of the Bank is to eradicate extreme poverty and promote shared prosperity through targeted programmes, prevention of conflict and post-conflict reconstruction, knowledge sharing, and technical assistance among others. Towards this end, the World Bank makes a yearly commitment of over $50 billion (Figure 4) and has a policy of freezing loan approvals and disbursements to countries that fail to honor their obligations in record time. The Bank charges 1 per cent over its costs on the loans lent through the IBRD to cover its administrative expenses, profits made by the Bank are plowed back to strengthen its operations.

Figure 4: World Bank's Commitments and Disbursement in Billion Dollars (2010-2020)



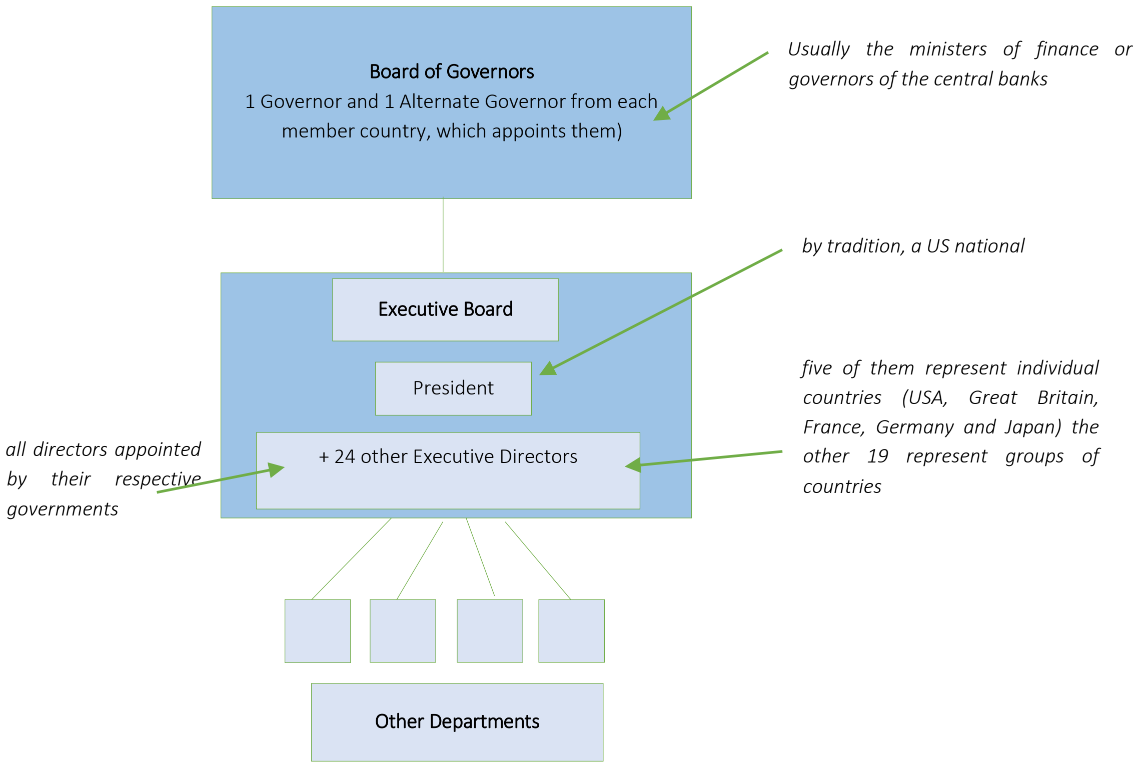
Source: World Bank Annual Report, various years.

The World Bank's annual commitment to members has grown over the years, with total disbursements (IBRD and IDA) increasing from $18.509 billion in 2000 to $41.42 billion in 2020 (World Bank Annual Reports, 2000 and 2020).

3.3 Governance Structure

The organizational structure of the World Bank is like the IMF's. The Board of Governors is the highest decision-making body of the Bank. Each member country is represented by a Governor who is a government official at the ministerial level. The same Board of Governors serves the IBRD, IFC, and the IDA, while a separate Board runs the MIGA. The Board delegates the general operations of the Bank Group to the Board of Executive Directors (EDs). The President chairs the Board of EDs, who are responsible for decisions about the operations of the Bank Group and loan approval. The IBRD has 24 EDs, with each representing a group of countries; while the five largest shareholders – United States (16.41 per cent), Japan (7.87 per cent), Germany (4.49 per cent), France (4.31 per cent), and the United Kingdom (4.31 per cent) – have 1 ED each (IBRD, 2003). Voting power is allocated based on the size of a country's share.

Figure 5: World Bank Organization structure



3.4 Evolution

The Bank's intervention strategy has evolved over the years. The reconstruction of Europe was the primary focus at the establishment, however, with the increasing competition of other development institutions in the reconstruction process, the Bank turned to finance poorer nations. For instance, President Harry Truman's approval of the Marshall plan to reconstruct Europe, with the advancement of $13 billion in April 1948, the World Bank gradually shifted its attention to financing developing nations. Investments in industry and infrastructure dominated the portfolio of the Bank between the 1950s and 1960s. However, in the 1970s, it adopted more direct methods in combating poverty. Development programs were designed to focus more on people and less on infrastructural development, and agricultural development was identified as the main channel for reducing poverty (World Bank website). In the 1980s, structural adjustments were the primary prescription of the Bank to developing countries, however, between the 1990s and the 2000s, it switched to sustainable development, providing partnership funding for the achievement of the Millennium Development Goals (MDGs) which expired in 2015 and the Sustainable Development Goals (SDGs)with 17 targets to be realised by 2030. The Bank currently implements a country partnership framework, as projects are subsumed under its eleven broad themes (rural development, human development, environmental management, etc.), where it provides either funding or technical assistance to member countries.

3.5 Nigeria's Membership of the World Bank

Nigeria became a member of the World Bank on March 30, 1961. Its status as a 'blend' country, allows it to both borrow and receive assistance from both the IBRD and the IDA. Nigeria ranked second, after Ethiopia, between 2015 and 2019 in terms of credit support obtained from the World Bank (Table 4). The World Bank Annual Report 2020, also indicated that Nigeria was the top borrower among IDA countries in 2020

Nigeria's Quota and Voting Right

A country's influence in the World Bank, or voting power, is determined by the size of its shareholding in the IBRD. The voting power comes from two sources: the 'basic' or 'membership' votes (with an equal number of votes of 250 allocated to all member countries, and quota shares (quota votes) with one share vote for each share of IBRD stock held (Article V, Section 3 (a)). The quota votes are allocated based on the weighted share of members in the global economy. Nigeria's subscription at the World Bank is 1,618.7. This translates to 16,944 votes or 0.66 per cent of the total voting power.

Table 4: World Bank Commitments, Disbursements, and Net Transfers to Selected African Countries, FY2015-2019

Items	Ethiopia		Nigeria		Kenya	
	2019	2015-2019	2019	2015-2019	2019	2015-2019
IBRD and IDA commitments	2,610	9,693	-	6,647	1,310	4,803
Undisbursed balances	5,928	5,928	5,376	5,376	3,852	3,852
Gross disbursements	2,237	14,998	1,452	6,535	1,404	4,925
Repayments	44	1,232	113	140	132	493
Net disbursements	2,193	13,766	1,340	6,395	1,272	4,432
Interest and charges	60	733	87	218	45	318
Net transfers	2,133	13,033	1,253	6,177	1,227	4,114

Source: World Bank Annual Report 2019

- **Country Partnership Framework (CPF)**

The Country Partnership Framework (CPF) links the Bank's support to the country's development strategy based on comparative advantage in the context of other donor agencies. On December 15, 2020, the World Bank discussed a new five-year Country Partnership Framework (CPF) for Nigeria, from 2021 to 2024, and approved a $1.5-billion package to facilitate the economy's recovery from COVID-19. According to the World Bank, this 5-year framework will be anchored on four (4) pillars: investing in human capital, promoting jobs and economic transformation and diversification, enhancing resilience, and strengthening the foundations of the public sector. The CPF replaced the Country Assistance Strategy (CAS) under which Nigeria obtains over 80 per cent of development assistance. Majority of the projects in Table 6 were conceived under the CPF.

Table 6: World Banks Projects/Commitment in Nigeria as of March 2021

Sector	No. Projects	Amount (US$ Billion)
Public Administration	17	1.43
Education	14	1.71
Social Protection	13	1.37
Agriculture, Fishing and ...	11	1.33
Health	11	1.66
Water, Sanitation, and Waste	10	0.87
Transportation	8	0.35
Industry, Trade, and Services	7	0.81
Energy and Extractives	6	1.81
Information and Communications Technologies	4	0.10
Financial Sector	2	0.63
Total	**103.00**	**12.06872**

Source: compiled from World Bank website.

- **Technical Assistance (TA)**

Technical assistance is one of the benefits of World Bank Group to its members. Through this assistance, the Group assists member countries in building accountable, efficient public sector institutions, institutional development plans, country-level strategies, and reforms. In addition to the above, the Group provides lending services, advisory services, information, and training to member countries to deliver sustainable economic and social improvements. Nigeria is a recipient of technical assistance instruments in the areas of the Private

Support Project; Micro Small and Medium Enterprises (MSME) Project, and Economic Management Capacity Building Project (EMCAP).

- **The International Development Association (IDA) Support Projects/Schemes**

Majority of IDA lending to Nigeria is in collaboration with other development partners, such as the UK Department for International Development (DFID), United States Agency for International Development (USAID), and African Development Bank (AfDB). Nigeria was the top IDA beneficiary in 2020, accessing about US$2.6 billion. These concessional credits were distributed across the different sectors, including agriculture, rural development, education, energy, health, social protection, private sector development, and public sector governance.

Table 5: IDA Top Country Borrowers, Fiscal 2020
Millions of Dollars

Country	Commitments
Nigeria	**2,576**
Bangladesh	2,265
Congo, Democratic Republic	1,642
Pakistan	1,471
Ethiopia	1,046
Tanzania	950
Nepal	949
Kenya	943
Somalia	903
Myanmar	900

Source: World Bank Annual Report, 2020

- **Other Sectoral Intervention Programmes in Nigeria**:

Historically, Nigeria has benefited from World Bank development projects. Among such projects are:

- National Fadama Development Project (FADAMA I, II, & III) (2004-2013),
- Growth, Employment and Markets in States Project (GEMS), July 2010 – June 2015
- Nigeria State Education Sector Project (April 26, 2007, to July 1, 2011)
- First & Second Health Systems Development Project (2000 – 2003)
- Partnership for Polio Eradication Project (April 29, 2003 – April 30, 2012)
- Nigeria National Energy Development Project (July 1, 2005 – June 30, 2012)
- Nigeria Electricity and Gas Improvement Project (NEGIP) (June 16, 2009 – Dec.31, 2014)

- Micro, Small and Medium Enterprise Project (December 16, 2003 – December 31, 2011), Federal Government Economic Reform and Governance Project (December 14, 2004, to February 28, 2013)

Table 7: Selected Ongoing World Bank Development Support to Nigeria

Programme	Objective	Amount (US$ Million)	Approval Date	Closing Date
State Fiscal Transparency, Accountability and Sustainability Initiative	Strengthen the fiscal transparency, accountability, and sustainability in the participating states, including in the context of the COVID-19 response.	750	14-Dec-20	on going
Multi-Sectoral Crisis Recovery Project for North Eastern Nigeria	To improve access to basic services and livelihood opportunities for the crisis-affected communities of Adamawa, Borno, and Yobe States, and enhance coordination among these States and other Lake Chad countries	200	20-Mar-17	31-May-24
Third National FADAMA Development Project		200	28-Jun-13	on going
Adolescent Girls Initiative	To improve secondary education opportunities among girls in targeted areas in participating states.	500	28-Jul-20	31-Jul-25
Better Education Service Delivery for All	To increase equitable access for out-of-school children and improve literacy in focus states, and strengthen accountability for results, in basic education in Nigeria.	611	20-Jun-17	31-Oct-22
Mineral Sector Support for Economic Diversification	To enhance the mining sector's contribution to the economy by strengthening key government institutions, improving information infrastructure and knowledge, and fostering domestic investment in the sector.	150	14-Apr-17	30-Jun-22
Polio Eradication Support	To assist the Recipient, as part of a global polio eradication effort, to achieve and sustain at least 80% coverage with oral polio vaccine immunization in every state in the Recipient's territory, and sustain national routine immunization coverage.	200	10-Apr-15	Active
Improved Child Survival Program for Human Capital	The project development objective (PDO) of the first phase (IMPACT) is to improve the utilization and quality of immunization plus and malaria services in selected states.	650	18-Feb-20	31-Dec-25
COVID-19 Action Recovery and Economic Stimulus Program	To expand access to livelihood support and food security services, and grants for poor and vulnerable households and firms	750	14-Dec-20	30-Jun-23
Nigeria Erosion and Watershed Management Project	To reduce vulnerability to soil erosion in targeted sub-watersheds.	500	8-May-12	30-Jun-21

Source: Compiled from World Bank website

SECTION FOUR

4.0 Criticism of Bretton Woods Institutions

Several criticisms have been leveled against the operations and structure of the Bretton Woods institutions. Among these are the inappropriateness of programmes, infringement on states' sovereignty through stringent conditionalities, credits and programmes being too small, expensive and short-term; and dominance of a few developed nations (Bint and Kiuick, 1993). The skewed voting power in these institutions remains at the front burner in the relationship among Bretton Woods member countries.

4.1 Criticisms

Imbalance Voting Power

The inequality between the global South and the global North (United States, Western Europe, Japan, Canada, and Australia), has been widening over the decades, as per capita income in the latter has more than quadrupled since 1960 (Hickel, 2017). The implication of this assessment in the balance of power in the Bretton Woods institutions is that quotas and voting rights are allocated based on the size of a country's GDP. This skewness in voting power reduces the influence of the global South, which constitutes over 85 per cent of Bretton Woods membership, in setting the rules and in decision making in these institutions.

The voting power imbalance in the institution, in favour of the major global economic powers, has been a major source of discontent in both the World Bank and the IMF, fueling demand for 'voice reforms', particularly among developing member nations. The increasing call for voting power realignment and voice equity between 2000 and 2011, resulted in the doubling of the basic votes of members (to 5.55% of the total voting rights of members), a review of economic indicators' weights in the measurement template, and the creation of the developing and transition countries (DTCs) category through the IMF's 2008 Quota Review, which included 'high-income' countries under the World Bank classification and 'advanced econ in the IMF classification. According to the Danish Institute of International Studies' Report on the World Bank and emerging world order, these reforms only resulted in a 3.0 per cent shift in the voting power from developed countries to DTCs and 2.43 per cent shift from high-income countries to low and middle-income countries (Vestergaard and DIIS, 2011). The report added that only 22 out of 187 member countries experienced an increase or decrease of voting power of more than 0.1 percentage point, and some low-income countries (LICs) even lost part of the voting power, due to the reforms. The danger of the persisting power imbalance in the institution could undermine the legitimacy of these institutions. Against this backdrop, the Secretary-General of the United Nations, Antonio Guterres, had called for democratic reforms in voting power at the World Bank and the IMF.

- **Harsh Conditionalities**

Generally, Bretton Wood institutions influence economic outcomes in countries through policy advice, funds disbursement under various programmes, and conditionalities. These programmes have notably focused on privatization, austerity, and forced market liberalization. Hickel (2017) argues that Bretton Woods conditionalities as a prerequisite for accessing certain facilities hurt client nations. Lack of understanding of the domestic conditions and peculiarities of countries affects the efficacy of World Bank and IMF programs.

- **Economic Impact of Bretton Woods**

Arguments have also dwelt on the relative effectiveness of Bretton Woods' programmes. For instance, Ratha (2005) found that IBRD and IDA lending commitments are positively correlated with an increase in debt service payments and inversely related to the level of a country's reserves. This interrogates the efficacy of Bretton Woods lending, particularly to poor countries. Dreher (2004) assessed the effects of IMF programmes, loans, and compliance with conditionalities on the economy of 98 beneficiary countries using a panel approach. He found that IMF programmes reduce growth rates, compliance with conditionalities did not mitigate the effect, and IMF loans have no significant impact on growth. Employing a 2-stage Least Square method to a similar set of countries, Fidrmuc and Kostagianni, (2015) obtained a similar result.

Despite these criticisms, Bretton Woods has significantly contributed to the flourishing of international trade flows and monetary stability, which are fundamental for economic prosperity (Dammasch, 2006). However, the imbalance in the distribution of these benefits remains a subject of future reforms.

4.2 Way Forward

As a parting shot, towards reforming the Bretton Woods institutions, recommendations by the Council on Foreign Relations (1999) and the Secretary of the US Treasury, Lawrence Summers on December 14, 1999, at the London School of Business, in (Truman, 2001) made the following proposals

- Focus on their primary responsibilities and not encroach other institutions' domain;
- Lend on more favourable terms to countries;
- Promote better information flow to the market
- Prioritize financial and macroeconomic vulnerabilities;
- Enhance engagement with the private sector on capital market issues by setting up a capital market advisory group and rationalizing its approach to private-sector involvement in the management of financial crises,
- Refocus support of growth and poverty reduction in the low-income countries; and
- Embrace a more representative governance and quota systems that reflect the dynamics in the global economy

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