Austral: Brazilian Journal of Strategy & International Relations
e-ISSN 2238-6912 | ISSN 2238-6262| v.9, n.17, Jan./Jun. 2020 | p.244-266

THE POVERTY TRAP: AN ANALYSIS OF THE CONTRIBUTION OF MULTILATERAL AND REGIONAL INSTITUTIONS TO THE POOR ECONOMIC AND SOCIAL PERFORMANCE OF WEST AFRICAN COUNTRIES

Taiane Las Casas Campos[1]
Alexandre Cesar Cunha Leite[2]

Introduction

In the west of the African continent there is a group of countries that are characterized by being in the group of the poorest countries in the world according to UN data (2018) (highlighted in red on the map 1), namely: Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo. These countries have small territories and populations, which implies, in many cases, high productive specialization, mainly in natural resources (extraction) or in agriculture, low scales of production and consumption and, as a consequence, low levels of *per capita* income.

1 Professor at the Graduate Program in International Relations at the Pontifical Catholic University of Minas Gerais (PPGRI/PUCMINAS). E-mail: taianelascasas@gmail.com

2 Adjunct Professor of International Relations at the State University of Paraíba (UEPB) and Permanent Professor of the Post-Graduate Program in International Relations at the UEPB. E-mail: alexccleite@gmail.com

Map 1 - African Continent: West African Economic and Monetary Union countries (in red).

Own elaboration (2019). Software: Mapchart.net.

All these countries were French colonies that earned their independence in the 1960s. During this period, as independent states, these countries had to structure their political systems, deal with their economic needs and limitations, so that until now (2019) the political stability consolidation and the economic development are objectives to be achieved. With regard to economic growth, it is observed (table 1) that these countries achieve growth, although oscillating due to the behavior of their trade flow, especially exports.

Table 1 - Annual GDP growth rate of selected countries

	Benin	Burkina Faso	Ivory Coast	Guinea-Bissau	Mali	Niger	Senegal	Togo
2000	5,86	1,82	-2,07	5,43	-0,06	-1,41	3,20	-0,78
2001	5,33	6,61	0,12	2,19	15,38	7,10	4,58	-1,63
2002	4,64	4,35	-1,67	-0,99	3,11	3,00	0,65	-0,92
2003	3,44	7,80	-1,36	0,57	9,12	5,30	6,68	4,95
2004	4,43	4,48	1,23	2,76	1,56	0,10	5,87	2,12
2005	1,71	8,66	1,72	4,27	6,53	4,50	5,62	1,18
2006	3,95	6,25	1,52	2,31	4,66	5,80	2,46	4,05
2007	5,99	5,66	1,77	3,26	3,49	3,15	4,94	2,29
2008	4,89	7,29	2,54	3,20	4,77	9,59	4,06	4,06
2009	2,33	2,96	3,25	3,37	4,68	-0,71	2,09	5,54
2010	2,11	5,37	2,02	4,61	5,41	8,36	3,56	6,10
2011	2,96	6,63	-4,39	8,08	3,24	2,28	1,46	6,40
2012	4,82	6,45	10,71	-1,71	-0,84	11,85	5,12	6,54
2013	7,19	5,79	8,89	3,26	2,30	5,27	2,82	6,11
2014	6,35	4,33	8,79	0,96	7,04	7,53	6,61	5,92
2015	2,10	3,89	8,84	6,13	5,96	4,34	6,37	5,74
2016	3,96	5,93	7,97	6,26	5,80	4,93	6,36	4,92
2017	5,84	6,30	7,70	5,92	5,40	4,89	7,08	4,45
2018	6,86	6,51	7,43	3,80	4,90	5,17	6,77	4,88

Source: World Bank (2019). Prepared by the authors.

The conditions for economic development are circumscribed, on the one hand, by the limits placed by productive specialization - based heavily on exports of primary products - and, on the other, by the challenges posed by the necessary investments in the sectors of infrastructure, education, health, sanitation, among others. The lack of domestic resources needed to overcome the relative backwardness of these countries ends up inducing them to seek these resources in regional and multilateral institutional spaces.

This article is part of the debates about the conditions of growth, development and insertion of small and underdeveloped countries in the international system. Furthermore, it intends to demonstrate that in the case of poor countries as selected here, the performance of regional and multilateral economic institutions tends to condition their growth and development process given the limitations derived from financial aid and loan programs.

In International Relations studies, this discussion had three moments, even if marginal to the field, of contributions from researchers in the field and related ones (Smith, Pace and Lee 2005) and (Ingebritsen, Neumann, Gsthl 2006). At first, the debate was directly related to decolonization, although the focus is not necessarily on the poorest countries, but on the former colonies (Amin 1972, 1994, Hey 2003). In a second, and more recent moment, the role of countries and coalitions among the Global South was discussed, such as BRICS, IBSA, among others (Cooper and Shaw 2009).

Also, the structuring of regional cooperative arrangements between smaller countries and/or excluded from large institutional organizations such as the European Union (Thorhallsson and Wivel 2006) was observed. Finally, there are contributions about the small - not necessarily poor - countries that would suffer the effects of climate change; these are the island countries (Briguglio 1995, Scandurraa, Romanoa, Ronghia and Carforab 2018, Ingebritsen, Neumann and Gsthl 2006). The analytical perspectives are not mutually exclusive, so it is considered that when dealing with ex-colonies and local cooperative arrangements, this article is at the intersection of these analytical perspectives.

In all these cases and moments, the focus of researchers in the field of International Relations has been in countries that have resources, be they economic, military and/or political capacity, or even mechanisms or institutions that allow for greater regional insertion. In this sense, they gain some "importance" that justifies the relevance of these research and their respective contributions to understand the international order and the conditions for insertion of these countries in international politics. In the same way, it is necessary to understand how these countries participate in the economic order and how they are structured to generate their conditions of growth and, consequently, economic development. Thus, countries that do not have some of these attributes tend not to be part of the researchers' radar, with exceptions. Even when it is understood that these countries have regional relevance and are part of a dynamic of reproduction of the condition of poverty, it is observed that the contributions have been in the dimensions of power resources (from a realistic perspective), or in the dimension of cooperation relations (from an institutionalist perspective) (Neumann and Gstöhl 2004).

That being said, this article is part of the discussions about poor countries[3] in material terms - without military or political power, that are inserted in a region of Africa characterized by the absence of regional leaders, relevance or structural framework. Nevertheless, they are part of a society of states, in which they search for material and political resources in order to achieve economic development and political stability.

These West African countries (marked in red on Map 1) participate in a myriad of multilateral, continental and regional institutions and seek these resources, which they lack to achieve development. However, these countries are essentially ruling-takers of these institutions (IMF 2019).

As shown in Table 2, the seven West African countries together hold only 0.37% of IMF quotas, which yields 0.54% of the votes in the assemblies, which take place biannually. According to the IMF, “decision making at the IMF was designed to reflect the relative positions of its member countries in the global economy” (IMF 2019).

Table 2 - Quotas and Votes for selected countries in the IMF (2019 data).

	Quota		Votes	
Member	**Millions of SDRs(1)**	**Percent of Total**	**Number**	**Percent of Total**
Benin	123,80	0,03	2,70	0,05
Burkina Faso	120,40	0,03	2,67	0,05
Ivory Coast	650,40	0,14	7,97	0,16
Mali	186,60	0,04	3,33	0,07
Niger	131,60	0,03	2,78	0,06
Senegal	323,60	0,07	4,70	0,09
Togo	146,80	0,03	2,93	0,06
Sub total	1.683,20	0,37	27,09	0,54
Total	475,472.9	100.0	5,031,614	100.0

Prepared by the authors with data from the International Monetary Fund (2019). The SDR is an international reserve asset, created by the IMF in

3 The definition of poor countries used by the United Nations is that they are those low-income countries confronting severe structural impediments to sustainable development (P.1) and the indicators to assess them are: Per capita GNI, ™ Human Asset Index (HAI), Economic Vulnerability Index (EVI). In United Nations Department of Economic and Social Affairs Committee for Development Policy. The Least Developed Country Category: 2018 Country Snapshots. (access 2019), available at: https://www.un.org/development/desa/dpad/least-developed-country-category/ldcs-at-a-glance.html

1969 to supplement its member countries official reserves.

At the time of their independence, the institutions derived from Bretton Woods (the UN system) were already consolidated, that is, their rules and forms of international participation were already defined (Lichtensztejn and Baer 1987). Following the bias of post-colonial studies, these countries also inherited economic and political structures (currency, tariff structure and institutions) from the colonizer. The conditions for the economic and social development of these countries are basically determined by their external revenues derived from trade balances, the material resources made available by these global and regional financial institutions and the small capacity of intervention in the domestic economic space of their governments.

Therefore, the objective of this article is: focusing on the previously selected countries that maintain a condition of dependency and poverty on the African continent, to analyze the conditions of these countries to put in practice policies of growth, insertion and development, aiming to get out of what is called the poverty trap. To this end, it is necessary to observe the performance of multilateral institutions that serve as a source of loans aimed at reducing poverty in these countries. At the same time, it is necessary to understand how the IMF's performance and its conditionalities affect these countries. Likewise, but at the regional level, the regional economic and monetary agreement, the West African Monetary and Economic Union (WAEMU), acts as a limitation on the adoption of public policies aimed at the economic growth of these countries.

We argue that these institutions difficult the adoption of specific policies aimed at development. Furthermore, the current economic condition of these countries, especially as exporters of primary products, creates unfavorable conditions for their insertion in the flow of regional and global trade. Specifically, using the bases of the Washington Consensus (WC) and liberal institutions, it is observed that these countries do not have autonomous monetary policies or fiscal freedom to promote economic growth. They end up being held hostage by the external demand for inputs and financial contributions in the condition of loans.

Thus, we consider that these conditions create the conditions for a poverty trap, reinforcing the condition of double dependence of these countries on foreign sector variables (exports and financial contributions from multilateral institutions) and the impossibility of adopting active policies directed at economic growth. When resorting to the adoption of policies of regional or global financial institutions, they adopt policies of fiscal and monetary austerity (Blith 2017) and are subject to the rules imposed by institutions whose profile is suited to a liberal order. Since they have hard currency credit needs, they are subject to the rules of these institutions. They thus hinder growth and the possibility of a better international economic insertion.

This article is divided into three sections in addition to this introduction. In the first section, the main characteristics of the credit lines provided by these institutions are described and evaluated, particularly with regard to conditionalities, as well as the macroeconomic policies that can be adopted by governments whose imperative is economic growth. In the second section, we analyze the lagging trajectory of these countries in the last quarter of a century, that is, 1994, the year of the maximum devaluation of the franc negotiated and made possible by the World Bank (WB) and the International Monetary Fund (IMF) (Boughton 2012) and the recent performance of these countries. Finally, in the third section that closes the article, we argue that the main policy proposed by these institutions for these countries, which was trade liberalization, not only maintained their condition as exporters of natural and agricultural resources and, therefore, maintained their vulnerability to variations in the international situation, but also made them unable to generate enough employment and income to overcome their poverty.

The Modus Operandi of Multilateral and Regional Institutions

In 1989, Williamson (2009) coined the expression Washington Consensus (WC), which referred to a set of 10 important economic measures for Latin America to recover from the economic crisis marked by the strangulation resulting from an unmanageable external debt in the short term. (Williamson 1990) and high inflation that has been present since the early 1980s. The objective of this section is to discuss, in the case of West African countries, how the credit lines available to these countries constitute a limited space for action governments in terms of the components of aggregate demand. In addition to the WC measures, it also discusses the impacts that a monetary and customs union has on the economies that comprise it.

Neoliberal economic reforms are based on the perception that low economic growth rates, high levels of public and private debt, domestic and foreign, and poverty rates are determined by problems related to the conduct of macroeconomic policy, as well as excessive and inefficient performance of states in economic activity (Martins 2011, Harvey 2005). Based on the aggregate demand function, it would be possible to identify these supposed distortions and what multilateral institutions proposed to address them.

The growth rate of the output of an economy is determined by the positive variation of the macro variables consumption, investment, government spending and the balance of the trade balance. The behavior of these variables, in turn, depends on the management of secondary variables such as interest, foreign exchange, income earned by families and companies and taxation. Therefore, when governments direct their management to achieve economic growth, they manipulate these variables in order to stimulate economic dynamics. However, it is understood that growth is one of the steps to achieve development. This would be an expansion and dissemination of quantitative results to the qualitative level, reaching objectives such as improvement in the indicators of income generation and distribution, access to health and education services, with its continuous improvement over time.

Among the ten measures recommended by the Washington Consensus formulators, three are related to public spending, namely: (1) fiscal discipline aimed at reducing high domestic and foreign indebtedness (as in the case of Latin American governments – the main cause for the crisis between 1981 and 1983); (2) the redefinition of priorities for public spending that should be focused on health and education and not on subsidies to productive sectors, for example, and; (3) reform of the tax system, which aims to expand the tax base and reduce its impacts on consumption and production. The Washington institutions' understanding was that austerity in the management of public accounts was essential to create the conditions for economic growth and development. For countries with a fragile economy such as the ones treated here this agenda had not shown positive results.

Other two of the ten measures refer to the trade gap, being (4) the competitive exchange rate determined by the inflow and outflow of foreign currency in a flexible exchange regime that in extreme cases may suffer government intervention; and (5) trade liberalization, that is, a reduction in tariffs, subsidies and other measures that alter trade flows[4].

Finally, other 5 measures impacted investments, namely (6) the liberalization of interest rates that influenced financial flows; (7) liberalization for the entry of foreign direct investments; (8) the privatization programs that provided for the purchase of these companies and the expansion of investments in these and their production chains; (9) deregulation aimed at reducing barriers to entry and exit from productive activity and (10) the guarantee of property rights, a relevant item for maintenance - via security criteria - essential for foreign investors and for the stability of the flow inflow of investments to national economies.

4 Multilateral negotiations were already under way at the WTO when the Washington institutions included this topic in their proposals.

The proposal for active policies by these institutions pointed out that the structural axes for the resumption of economic growth would occur with the expansion of trade and investment flows, particularly those of external origin. If the essentially endogenous elements of aggregate demand - consumption and public spending - would not leverage the growth and development of these countries, their relations with the external environment, through trade, foreign investments and financial flows would provide these resources, hence the justification for the liberalization program.

In 1996, the IMF and the World Bank developed a joint program for poor countries, whose services on their foreign debts were excessive in relation to their payment capabilities. This program called Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative made it possible to set up a fund with resources destined, among other objectives, to a financing program called Poverty Reduction Growth Trust - PRGT- specifically aimed at low-income countries , with three credit lines comprising this program, namely: Extended Credit Facility - ECF -, Standby Credit Facility - SCF- and Rapid Credit Facility - RCF. This credit line aims to “help them achieve, maintain or restore a stable and sustainable macroeconomic position consistent with the reduction of strong and lasting poverty and growth” (IMF 2018). This financing program lasted from 1999 to 2009. As of that year, the IMF adopted the Extended Credit Facility as the most viable line for countries with chronic (but not immediate) problems in their balance of payments.

The main characteristics of each of these credit lines were summarized by Coelho (2012), as follows:

Table 1 – Summary description of the credit lines mentioned.

Poverty Reduction and Growth Trust (PRGT)	It aims to promote long-term macroeconomic balance. Interest rates are reviewed every two years. It is intended for low-income countries. Its resources come from loans from governments and loans from other multilateral
Extended Credit Facility (ECF)	It came to replace the Poverty Reduction and Growth Facility as a mechanism to provide medium-term funds (ten years) to low-income countries with balance of payments problems. There is no interest rate charge and the grace period is five and a half years, the ECF is heir to the medium and long term loans (Structural Adjustment Facility and Enhanced Adjustment Facility) that were introduced in the 1980s during the structural adjustment.

Standby Credit Facility (SCF)	Loans for liquidity problems replaces the High Access Component of the Exogenous (ESF). Also for low-income countries, it has a four-year grace period, zero interest rates and eight years in duration.

Source: Coelho (2012).

The World Bank Group, in turn, is composed by 4 agencies, one of which is IDA - International Development Agency, whose actions are aimed at development projects. To this end, it has 3 financing lines, of which (1) Investment Project Financing (IFP), aimed at financing physical and / or social infrastructure projects; (2) Development Policy Financing - DPF - with a broader scope, this line offers budgetary support to national or subnational governments for policy programs and institutional actions whose objective is economic growth and poverty reduction, and finally; (3) Program-for-Results, which, according to the name, conditions the release of resources to the delivery of defined results (World Bank 2019).

In 1999, the World Bank initiated, under the Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative, the Poverty Reduction Support Credit (PRSC) program, which associated with the IMF's Poverty Reduction and Growth Facility (PRGF), constituted to become the most important program of these Bretton Woods institutions for "low-income countries". These institutions understood the need to expand cooperation and defined some principles that should guide some joint actions. The focus of these actions was on low-income and middle-income countries and the objectives were: (i) to assist countries in identifying priorities and consequently the reforms to be adopted in the so-called Poverty Reduction Strategy Paper, which are the documents with the diagnosis and proposition of policies that subsidize loans; (ii) clearly specify the responsibilities of the bank and the Fund with respect to loans and other support and; (iii) mutually formulate conditionalities in a harmonized manner (without cross conditionalities) in the PRSC and PRGF (IMF, WB 2001).

It is important to note that in the 1980s, both institutions had lines of loans based on structural adjustment programs. After reviewing the results of these programs, it became clear the need for each to focus on specific aspects of aid to countries, with the IMF being responsible for macroeconomic stability and the World Bank in development, poverty reduction and institutional reforms. In addition, in the 1999 agreement, these institutions considered that macroeconomic stability programs should also focus on poverty reduction, and that the structuring of the Poverty Reduction Strategy Paper should be conducted by the staff of the Bank, the Fund, country governments and other stakeholders. The conditionalities of these credit lines would arise from macroeconomic stability, for which the IMF would be responsible and the World Bank when the agenda did not refer directly to macroeconomic policies, that is, from monitoring:

> The monetary, fiscal, exchange rate policies, the institutional arrangements that underlie these policies and the structural aspects related to them, including those areas of overlapping responsibilities, such as the financial sector, tax administration and governance. In general, conditionalities cannot go beyond these areas unless measures are considered critical for maintaining macroeconomic stability. In addition, policy conditionalities outside the core area of the IMF's expertise will be covered by IDA lending operations (International Monetary Fund and World Bank 2001).

With the exception of Senegal, all the other countries in our sample received PRGF loans from the International Monetary Fund in the 2000s and continue to receive loans from the Fund in the ECF version.

Table 2 - IMF agreements with sample countries - 2005 to 2019.

Country	Credit line	Final date	Initial end date
	Poverty Reduction and Growth Facility	08/05/2005	08/04/2008
Benin	Extended Credit Facility	06/14/2010	06/13/2013
Benin	Extended Credit Facility	04/07/2017	04/06/2020
Burkina Faso	Poverty Reduction and Growth Facility	04/23/2007	04/22/2010
Burkina Faso	Extended Credit Facility	06/14/2010	06/13/2013
Burkina Faso	Extended Credit Facility	12/27/2013	12/26/2016
Burkina Faso	Extended Credit Facility	03/14/2018	03/13/2021
Ivory Coast	Poverty Reduction and Growth Facility	03/27/2009	03/26/2012
Ivory Coast	Extended Credit Facility	11/04/2011	11/03/2014
Ivory Coast	Extended Credit Facility	12/12/2016	12/11/2019

Mali	Poverty Reduction and Growth Facility	05/28/2008	05/27/2011
Mali	Extended Credit Facility	12/27/2011	12/26/2014
Mali	Extended Credit Facility	12/18/2013	12/17/2016
Niger	Poverty Reduction and Growth Facility	05/28/2008	06/01/2011
Niger	Extended Credit Facility	03/16/2012	03/15/2015
Niger	Extended Credit Facility	01/23/2017	01/22/2020
Senegal	Policy Support Instrument	11/02/2007	11/01/2010
Senegal	Policy Support Instrument	12/03/2010	12/02/2013
Senegal	Policy Support Instrument	06/27/2015	06/26/2018
Togo	Poverty Reduction and Growth Facility	04/21/2008	04/20/2011
Togo	Extended Credit Facility	05/05/2017	05/04/2020

Prepared by the authors based on IMF data (2019).

The Policy Support Instrument (PSI) is not a credit line, but a partnership program between the IMF and the governments of countries that seek to consolidate their economic performance with monitoring and support from the IMF. This program acts as a kind of endorsement by the IMF for donors and banks to provide credit to countries that use this program (IMF 2019). This non-financial instrument is a valuable addition to the IMF's loan facilities under the Poverty Reduction and Growth Fund. The PSI aims to help countries design effective economic programs that, once approved by the Fund's Executive Board, would provide clear signals to donors, multilateral development banks and Fund endorsement markets under the strength of a member's policies.

With regard to the World Bank, approximately 80 financing contracts signed with the seven countries analyzed were identified between the years 2005 and 2019[5]. The line with the largest number of loans (24 out of 80) is

5 The data available on the website refer to that period. This database is available at http://www.worldbank.org/en/projects-operations/products-and-services#IPF (access June 2019).

the PRSC that was executed in five of the seven countries analyzed, with the exception of Niger and Togo (World Bank 2019).

This is a region marked by internal conflicts. Thus, countries like Togo, Ivory Coast, Mali and Niger received in addition to loans in the PRSC format, those aimed at post-conflict reconstruction, the so-called "Economic Governance & Recovery Grant". Another line available to these countries is Development Policy Operations (DPO) which can be consolidated in the form of loans, credits or subsidies. The conditionalities of this line are: (a) maintenance of an adequate macroeconomic policy framework, as determined by the Bank with contributions from IMF assessments; (b) satisfactory implementation of the global reform program; and (c) completion of a set of mutually agreed critical policies and institutional actions (previous actions) between the Bank and the client (World Bank 2019).

Finally, two lines of financing stand out, namely: "Governance and Growth Support Credit and Fiscal Reform and Growth Credit. Both are aimed at reforms in the public sector, reforms in fiscal policy and social services in order to encourage the participation of the private sector, "since fiscal and macroeconomic stability and human capital are key factors for investment and productivity of companies" (World Bank 2019).

In addition to the macroeconomic conditionalities established by the World Bank through the PRSC lines in accordance with the Washington Consensus measures, in more recent years and for some countries, the agenda takes the clear form of adjusting public accounts and reforming the state. From the description, it is understood that the institutional agenda has a limiting character with regard to the adoption of public policies aimed at growth and development by these countries. When added to their domestic and regional conditions, it is observed that the proposal for stability centered on reforms whose governing principle is austerity and that these countries should adopt measures that would require a greater institutional structure, it is clear that the IMF and WB have only reinforced the condition dependence and the reproduction of their poverty. The following topic presents data on the economic performance of these countries, enabling a more accurate analysis of the situation and, at the same time, supporting the argument of reproduction or the poverty trap.

Macroeconomic Performance and Social Indicators

In the 1930s, France began a process of establishing a single currency for all its colonies, which was consolidated at the end of World War II with the creation of the CFA franc (Franc of the French Colonies in Africa). The

CFA franc had its convertibility to the French franc guaranteed by the French treasury by establishing operations for each central bank in the colonies (Bibow 2016). In 1948, the conversion rate for these currencies was 1 (one) CFA franc to 2 French francs. This rate was systematically changed until, in the late 1960s, that rate was 50 CFA francs for each French franc (Bibow 2016). In the year 1960, all seven of these countries became independent states, which did not change this monetary pattern.

The overvaluation of the franc CFA imposed the need to adjust the exchange rate based on a significant devaluation of that currency. This change would necessarily generate significant impacts on domestic prices, considering the heavy dependence on imports of a wide range of products consumed in these countries (basically manufactured). Thus, this devaluation was the result of an important negotiation process between the governments of the former colonies, the French government, the Banque Centrale Des Etats de L'Afrique de L´ouest - BCEAO -, the IMF, WB. These negotiations resulted, in January 1994, in the decision to devalue the CFA franc by 100%, that is, the exchange rate would change from 100 to 1 and the creation of the West African Monetary and Economic Union - WAEMU -. The monetary union already existed since the single currency was already a reality, as of 1994 in addition to the monetary union, these countries also created an institutional structure that would coordinate monetary policy, through BCEAO and would constitute the customs union.

This customs union was created after the 1994 crisis and envisaged the creation of an institutional structure that would deal with the conditions for the existence of a free trade area among members associated with a fully harmonized foreign trade policy. WAEMU currently has five bands (bands) for its external tariffs, of which 0, 5%, 10%, 20% and 35%, with 90% of the tariff lines being in these bands.

Still in 1994, negotiations began to create a single currency between European countries and, in 1999, the convergence of exchange rates was consolidated. Finally, in 2002, the new currency - the euro - began to circulate among the eleven countries that adopted it, including France. Since then, the CFA franc has had a conversion rate to the euro of 655.96 FCA francs for — 1.0 (one euro), unchanged to this day. The stability of the CFA franc is based on four principles: (1) the guarantee of unlimited convertibility by the French treasury; (2) the fixed exchange rate regime; (3) freedom to transfer resources within the bloc; and, (4) reservations are common to all members. Part of the reserves of WAEMU members is deposited in the French treasury. Since the monetary structure is managed by the BCEAO, inflation between WAEMU countries is, on average, lower than in the United States and very close to that of the eurozone.

Table 4 - Inflation rate - in%

	Euro	EUA	WAEMU
2011	2,7	3,2	3,9
2012	2,5	2,1	2,4
2013	1,4	1,5	1,5
2014	0,4	1,6	-0,2
2015	0	0,1	1,0
2016	1,1	1,3	0,3
2017	1,5	2,2	0,8
Media	1,37	1,71	1,39

Source: BCEAO 2017. Own preparation.

From this restructuring of regional economic relations, the objective of reducing economic difficulties was not achieved despite the low rate of inflation. This is due more to the low purchasing power and reduced consumption level of local societies than to the result of monetary and fiscal policies. In addition, economic restrictions in the face of a new exchange rate tend to worsen, further hindering the development trajectory of these countries. The 1994 devaluation was necessary, among other reasons, due to the significant drop in the prices of agricultural products exported by these countries (WTO 2018).

Public revenues also deteriorate due to declines in exports. Therefore, these countries needed international reserves and it is from this demand that the IMF and the World Bank expand their lending activities with these seven countries.

In addition to the rigidity of exchange rates, the creation of WAEMU implies the consolidation of external tariffs for the bloc's countries. Since 2015, the bloc has five tariff bands that define 90% of all tariff lines, with an average tariff of 12.1% (WTO 2018). The economic union does not stimulate intra-bloc trade, since, according to WTO (2018), only 10% of trade took place between the countries of the bloc in 2015. In 2010 this flow reached 13%.

Table 5 – Trade Balance in US$ Billions

Year	Benin	Burkina Faso	Ivory Coast	Mali	Niger	Senegal	Togo
2017	-2.333	-926	2.955	-2.433		-3.739	-865
2016	-2.220	-822	2.200	-997	-933	-2.837	-1.001
2015	-1.849	-802	2.312		-1.668	-2.983	-1.020
2014	-2.735	-729	1.807		-1.101	-3.752	-949
2013	-2.338	-1.714	-399		-376	-3.891	-820
2012	-1.856	-1.157	1.091	-852	-307	-3.902	-701
2011	-1.681	-93	4.329	-977	-836	-3.367	-903
2010	-1.599	-760	2.434	-2.707	-1.793	-2.691	-556
2009	-1.123	-1.074	3.320		-999	-2.695	-531
2008	-1.292	-1.400	1.895	-1.420	-182	-4.357	-608

Prepared by the authors based on data from COMTRADE (2019).

There is another problem that deserves to be highlighted. There is a strong dependence in these countries on the export of primary and low added value products and on imports of industrialized products and services. This characterization of the trade flow determines that, with the exception of the Ivory Coast - the most developed economy in the region -, all the others have persistent deficits in their trade balances, as shown in Table 5.

Benin, Burkina Faso, Mali and Togo have cotton as one of the main export products. Burkina Faso and Mali also export natural, cultured pearls and precious and semi-precious stones and, finally, Ivory Coast and Senegal have oil and other mineral oils as the most important export product. In contrast, imports are mainly of industrial products such as vehicles, machinery and equipment, in addition to oil (for those who are not producers) and cereals, as in the case of Benin (COMTRADE 2019).

In recent years, there has been a slight increase in the tax burden in these West African countries.

Table 6 - Tax burden in relation to GDP - in%

	Benin	Burkina Faso	Ivory Coast	Mali	Senegal	Togo
2001	13,69	s.d.	14,31	10,59	16,12	s.d.
2002	14,41	10,87	14,63	11,17	s.d.	s.d.

2003	14,27	11,09	13,38	12,77	s.d.	s.d.
2004	14,64	12,70	14,19	13,69	s.d.	15,31
2005	13,81	11,75	13,88	13,30	s.d.	13,88
2006	14,21	12,12	14,66	13,32	s.d.	14,81
2007	15,69	12,69	15,06	13,06	s.d.	16,20
2008	16,12	11,86	15,05	11,90	s.d.	14,91
2009	14,99	12,52	14,60	12,99	17,97	15,34
2010	15,53	12,72	14,33	12,89	18,66	15,70
2011	14,82	13,75	10,93	12,55	18,97	16,44
2012	14,41	15,63	14,26	12,99	18,95	16,60
2013	15,38	16,82	14,54	13,03	s.d.	20,02
2014	s.d.	15,37	13,97	12,61	19,62	s.d.
2015	s.d.	15,07	15,45	14,09	20,63	21,79
2016	s.d.	15,84	15,25	15,38	20,54	21,93

Prepared by the authors based on World Bank data (2019).

However, the participation of these governments in national income is between 15 and 20% of GDP in the countries of the region (World Bank 2019). The vicious circle of poverty is configured as, with a high marginal propensity to consume, income transfers to governments must necessarily be of little importance. Thus, if we consider the needs of the population in terms of public services, added to those related to infrastructure and other demands necessary for development, it is concluded that this tax burden is insufficient for these purposes.

Finally, an analysis of the social indicators of these countries indicates the real dimension of their needs. If we consider the percentage of the population living on US$ 1.90 a day, the following figures are observed: Benin 49.5% (2011), Burkina Faso 43.7% (2014), Ivory Coast 28.2% (2013), Mali 49.7% (2009), Niger 44.5% (2014), Senegal 38% (2011) and Togo 49.2% (2015). When it comes to the life expectancy indicator at birth, there has been a very significant growth since independence. In 1960, the average life expectancy for these seven countries was 35 years and in 2017 it jumped to 59 years. However, even for Least Development Countries (LDC, WB) that life expectancy was 39 years in 1960 and in 2017 it reached 63 years (World Bank 2019).

The literacy rates of adult men (above15 years old) is an indicator of the need for public spending on education. While LDCs have an average of 77% of that literate population, Benin and Burkina Faso are 44%, Ivory Coast 50%, Mali 45%, Niger 39%, Senegal 64% and Togo in the best position 77% of adult men are literate (World Bank 2019).

Finally, these countries are among the twenty countries with the lowest Human Development Indexes, with Niger being the lowest among all countries, occupying the 188th position, that is, the last position in the ranking.

Country	HDI	Global HDI Ranking
Benin	0,48	166
Burkina Faso	0,402	183
Ivory Coast	0,462	172
Mali	0,419	179
Niger	0,348	188
Senegal	0,466	170
Togo	0,484	162

Source: Own elaboration based on data from UNDP (2019).

The Poverty Trap: Institutional Mechanisms Acting as Reproducers of Poverty

There is evidence in the literature that the austerity policies imposed in the form of conditions by the IMF and WB have not been successful in terms of the growth and performance of the economies submitted to these solutions (Bailey and Shibata 2017, Bailey 2018, Blith 2017). The conduct of international agencies aimed at processes of economic stabilization, even the conduct and constitution of regional mechanisms for economic integration, is not new. It is in the public domain that the IMF's loan policy brought (as it still does) a set of conditionalities, especially with regard to adjustment policies (Coelho 2012). In adopting the use of the term and the austerity discourse, these international agencies disregard that austerity is not a policy, or a concept, simply implemented without taking into account the political and institutional scenario of the countries as well as the current social values and practices, the contradictions, asymmetries, diversity and inequality typical of these countries (Worth 2018). This is the case for the countries selected in the analysis carried out in this article. The countries of the West African region, particularly those that are members of the WAEMU monetary union, as identified at the beginning of this text, suffer from a precarious situation in terms of political, economic and social structure. If their domestic restrictions were not enough, the regional environment is not dynamic enough to act as an engine of growth and development and the condition of late independence is another factor of structural constraint.

The combination of an economic policy supported by the guidelines of the CW with the constitution of an economic-monetary union (WAEMU) presents itself as a restraint for action in these countries (Briguglio 1995). Based on the "principles" of the CW, linked to the conditions imposed by the IMF on these countries, it is possible to verify an effect of double external dependence, namely: (i) on the one hand, the dependence on the flow of trade that, as demonstrated in the previous sections they are dependent on external demand (exogenous variable) that generates imbalances and instability; and (ii) on the other hand, there is a continued dependence on cash inflows in the form of loans from Fund programs. In addition to these two forms of creating dependency, there is the exchange rate derived from the emergence of the Euro as a common currency in the EU. When, in 2002, France, along with the other EU constituent countries, adopted the Euro, the exchange rate established with the CFA franc strengthens the exchange rate policy of West African countries, members of WAEMU.

Since there is monetary control aimed at the objective of stability, it is understood that these countries are deprived of the use of monetary policy. To complete the tightening up of economic policy mechanisms that could foster or enable better economic performance and a way out of a situation of continuous poverty, it is observed that fiscal policy is not an instrument of sufficient public financing. The tariff base for international trade is also fixed, thus ending the possibilities for these countries to achieve levels of growth and development that would remove them from a situation of continuous poverty.

In this scenario, an exit on the horizon would be the WB and IMF programs, however, as it was possible to observe in the previous topics, these ended up generating more distortions than solutions. These contributions (loans and lines of credit), despite targeting low-income countries with low cost in terms of indebtedness, brought macroeconomic stability conditionalities that contributed little to the performance of these countries. On the contrary, the condition of stability acted in the opposite direction to growth policies. Since growth was restricted to trade balances from exports, and these were based on primary products, when verifying that the domestic supply and production base is dependent on the import of finished products with greater added value, it is observed that pegging the growth to trade balances are a factor of uncertainty regarding the growth of these countries.

It is understood that the sum of variables and events related to these countries, with relations of deep dependence (institutional and colonial profile) determines a poverty trap from which these countries do not see an escape mechanism.

A summary of what was exposed in this article indicates that the income generation equation in these countries is dependent on and subordinated to exogenous variables. The flow of trade depends on external demand (from ex-colonizing countries) and the regional economic institution tends to limit the possibilities for autonomous political action by States. Everything suggests that the sequence of late independence added to the maintenance of the colonial relationship (mainly in the monetary question and in the flow of trade) (Canac and Garcia-Contreras 2011), when associated with the low capacity to generate economic dynamism, necessarily lead these countries to seek assistance from international / multilateral institutions (such as WB and IMF).

After all, these institutions present themselves as a possibility for financing development, which, as noted here, does not constitute a real guarantee of escape from the poverty trap. Regional institutions tend to standardize entry rules and conditionalities that add a restrictive factor in the case of these countries. It is understood, based on what was previously exposed, that in addition to multilateral institutions, regional institutions are not generators of development for these countries. On the contrary, its instruments of action and its conditionalities are elements that not only limit the possibilities of development, but also reproduce the dependence that encloses the poverty trap in these countries.

REFERENCES

Amin, S. 1972. Underdevelopment and Dependence in Black Africa — Origins and Contemporary Forms. *The Journal of Modern African Studies*,10(4), 503-524.

Amin, Samir. 1994. *Al fracaso del desarrollo en África y en el Tercer Mundo: un análisis político*. EPALA Editorial,

Bailey, D., M. Clua-Losada, N. Hukec, O. Ribera-Almandozd, and K. Rogerse 2018 "Challenging the Age of Austerity: Disruptive Agency after the Global Economic Crisis." *Comparative European Politics* 16 (1): 9–31.

Baileyy, D., and S. Shibata. 2017. "Austerity and Anti-Austerity: The Political Economy of Refusal in 'low-resistance' Models of Capitalism." *British Journal of Political Science*

BCEAO. Banque Centrale Des Etats de L´Afrique de L´ouest. *Monthly Bulletin Of Waemu Economic Statistics*, DECEMBER 2017. Accessed August 2019. https://www.bceao.int/en/publications/monthly-bulletin-waemu-economic-statistics-december-2017.

Bibow, J. 2016. *The euro experience: lessons for Africa*, UNCTAD.

Boughton, James. 2012. *Tearing Down Walls : The International Monetary Fund 1990-1999*, International Monetary Fund. Published March 2012 DOI:http://dx.doi.org/10.5089/9781616350840.071ISBN:9781616350840Page:1036

Blyth, Mark. 2017. *Austeridade: a história de uma ideia perigosa*. São Paulo: Autonomia Literária.

Briguglio, Lino. 1995. Small Island Developing States and Their Economic Vulnerabilities, *World Development*, Vol. 23, No. 9, pp. 1615-1632,

Canac, P., and Garcia-Contreras, R. 2011. Colonial Hangover: The Case of the CFA. *Journal of Asian and African Studies*, 46(1), 54–68.

Coelho, Jaime Cesar. 2012. A Política de empréstimos do fundo monetário internacional : soberania e hierarquia na economia política internacional. *Rev. Tempo do Mundo*, 4 (1): 181-198

Cooper A.F., Shaw T.M. 2009. The Diplomacies of Small States at the Start of the Twenty-first Century: How Vulnerable? How Resilient?. In: Cooper A.F., Shaw T.M. (eds) *The Diplomacies of Small States*. International Political Economy Series. Palgrave Macmillan, London.

Harvey, David. 2005. *A Brief History of Neoliberalism*. Oxford University Press.

Hey, Jeanne A. K. 2003. *Small States in World Politics: Explaining Foreign Policy Behavior*. Lynne Rienner Pub; UK ed. edition, 210 pages

IMF. 2019. *Factsheet -- The Policy Support Instrument*. https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/21/Policy-Support-Instrument 2019

IMF – International Monetary Fund. *MF Members' Quotas and Voting Power, and IMF Board of Governors*. Accessed June 2019. https://www.imf.org/external/np/sec/memdir/members.aspx.

Ingebritsen, Christine, Neumann, Iver, Gsthk, Sieglinde. 2006. *Small States in International Relations*. University of Washington Press, Washington.

International Monetary Fund and World Bank. 2002. *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality*—Progress Report Prepared by PDR (IMF) and OPCS and PREM (World Bank) August 19, https://www.imf.org/external/np/pdr/cond/2002/eng/collab/081902.pdf; 2001 FMI https://www.imf.org/

external/np/pdr/cond/2001/eng/collab/082301.pdf.

Lichtensztejn, Samuel; Baer, Monica. 1987. *Fundo Monetário Internacional e Banco Mundial*. São Paulo: Brasiliense, 239 p.

Martins, Carlos Eduardo. 2011 Globalização, D*ependência e Neoliberalismo na América Latina*. São Paulo, Boitempo Editora, cap. 7 p.313-347.

Neumann, Iver B., Gstöhl, Sieglinde. 2004. *Lilliputians in Gulliver's World? Small States in International Relations*. Working Paper 1- Centre for Small State Studies. University of Iceland May. Accessed August 2019. https://www.diplomacy.edu/lilliputians-gullivers-world-small-states-international-relations.

PNUD 2019. *Programa da Nações Unidas para o Desenvolvimento. – Indice de Desenvolvimento Humano- IDH*. Accessed October 2019. https://www.br.undp.org/content/brazil/pt/home/idh0/rankings/idh-global.html.

Scandurraa, G., Romanoa, A.A., Ronghia, M., Carforab, A. 2018. On the vulnerability of Small Island Developing States: A dynamic analysis. *Ecological Indicators* 84 382–392. https://www.sciencedirect.com/science/article/pii/S1470160X17305848.

Smith, Nicola, Pace, Michelle, Lee, Dona, 2005. Matters: Small States and International Studies. *International Studies Perspectives,* Volume 6, Issue 3, August, Pages ii–iii, https://doi.org/10.1111/j.1528-3577.2005.215_1.x Published: 08 June 2005.

Thorhallsson, Baldur, Wivel, Anders. 2006. Small States in the European Union: What Do We Know and What Would We Like to Know? , *Cambridge Review of International Affairs*, 19:4, 651-668, 22.

United Nations. 2018. *List of Least Developed Countries*. Accessed August 2019. https://www.un.org/development/desa/dpad/wp-ontent/uploads/sites/45/publication/ldc_list.pdf.

World Bank. 2018. *Program Information Document (PID) Concept Stage*. April 11, 2018 Report No.: 125612 http://projects.worldbank.org/P167278/?lang=en&tab=documents&subTab=projectDocuments.

World Bank Data. 2019. *Countries and Economies*. Accessed August 2019 https://data.worldbank.org/country.

WTO - World Trade Organization. .2018. *Trade Policy Review Report By The Secretariat Member Countries Of The West African Economic And Monetary Union (WAEMU)*. WT/TPR/S/362/Rev.1 27 February (18-1256) Page: 1/527. Accessed July 2019. https://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry.

Williamson, J. 1990. "What Washington Means by Policy Reform", Latin American Adjustment, IN Williamans, John. *A Short History of the Washington Consensus*. 15 Law & Bus. Rev. Am. 7 (. Available at: http://scholar.smu.edu/lbra/vol15/iss1/3

Worth, O. 2018. "The Battle for Hegemony: Resistance and Neoliberal Restructuring in Post-crisis Europe." *Comparative European Politics* 16: 126–142.

ABSTRACT

This paper analyzes the conditions for seven countries located on the West African coast to practically set growth and economic development policies in order to overcome what we call the poverty trap. These countries could seek at the regional and multilateral levels the resources needed to overcome their backwardness. However, we identified that the main policy proposed by these institutions for these countries, which was trade liberalization, not only maintained the condition of being exporters of natural and agricultural resources and were unable to generate sufficient employment and income to overcome their poverty.

KEYWORDS

Development; Africa; Poverty Trap.

Received on October 16, 2019

Approved on May 8, 2020

Translated by Eduardo Secchi and Gabriela Ruchel