

Economic Policy Implementation and Impacts in Africa: A Study of Structural Adjustment Programme in Nigeria, 1986-1990

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Abstract

This paper is the analysis of Structural Adjustment Programme (SAP) which was adopted by many African countries in the 1980s. SAP was formulated by the Bretton Woods institutions with the aim that it would be the solution to the ailing economy of (Africa) Third World States. The aim of this work is to ascertain to what extent SAP achieved the desired goal of solving the problems of African economy, with particular interest to its implementations and impacts on the economies of states in the continent. This work will broadly discuss these headings; introduction, implementation and impacts of SAP. We shall also have conclusion and recommendation.

Keywords: Economic, Policy, Implementation, Impact, Nigeria, Structural, Adjustment.

Introduction

SAP is seen differently by many scholars and observers. Many see it as a creation of International Monetary Fund (IMF) and World Bank that was foisted on third world countries to correct the economic anomalies in their countries, while others see the programme as a policy that African nations must adopt to restructure and diversify the productive base of their economy.

To Martin Okeke SAP is a policy mechanism and development blue-print designed by the International Financial Institutions – IMF and World Bank and foisted on the developing countries as solution to the global economic recession of the 1980s¹. Another source defined SAP as a programme that was initiated by the IMF to be adopted and

implemented by the African countries with conditionalities. It is used by the IMF and World Bank as corrective measures which their members in developing world have been obliged to formulate and implement during the 1980s².

Also in the words of President Ibrahim Babangida, who introduced SAP in Nigeria that it was a well – thought – out programme that “aims at increased domestic production in every sector of the economy in order to create more jobs, more goods and less foreign debts”³. Wikipedia was of the view that structural adjustments are policies implemented by the IMF and the World Bank in developing countries. These policies are conditions for getting new loans from the IMF or World Bank, or for obtaining lower interest rates on existing loans. To ensure that the loans achieve expected goals and objectives, conditionalities were attached and implemented.

From the definitions above, one can deduce that SAP was the brain child of IMF and World Bank. The aim of these institutions was to salvage the economies of African states and other third world countries. To achieve the aims of the policy, conditionalities were attached to the loans. We will now look at these conditionalities and IMF/World Bank. The main aims/objectives in Nigeria and other African countries of SAP are to:

1. Restructure and diversify the productive base of the economy in order to reduce dependence on oil sector and on imports.
2. Achieve fiscal and balance of payment viability
3. Lay the basis for sustainable non-inflationary or minimum inflationary growth.
4. And to lessen the dominance of unproductive investments in the public sector, improve the sector’s efficiency and intensify the growth and potential of the private sector⁵.

There are basic conditions that any country in need of IMF and World Bank loan must fulfill for them to be eligible for the loans. The policy changes had been attached to the loans of these financial institutions since the early 1950s. The conditionalities include among others;

- * Cutting social expenditures, also known as austerity.
- * Focusing economic output on direct export and resource extraction

- * Devaluation of overvalued currencies
- * Trade liberalization, or lifting import and export restrictions
- * Increasing the stability of investment (by supplementing foreign direct investment with the opening of domestic stock markets),
- * Balancing budgets and not overspending
- * Removing price controls and state subsidies
- * Privatization or divestiture of all or part state-owned enterprises
- * Enhancing the rights of foreign investors vis-a-vis national laws
- * Improving governance and fighting corruption

The success of SAP lay heavily on the implementation of these conditionalities. We shall study some of these conditionalities under the implementation of SAP.

Both IMF and World Bank are referred to as Bretton Woods institutions. This takes its root at the Bretton Woods Conference, popular name for the United Nations Monetary and Financial Conference that took place between July 1 - 22, 1944, at Bretton Woods, a Vacation resort in New Hampshire. The Conference which was attended by representatives of 44 nations gave birth to the creation of the International Monetary Fund and the International Bank for Reconstruction and Development (also called World Bank).

The first half of the 20th century was marked by two world wars that caused great physical and economic destruction in Europe, as well as Great Depression that caused economic devastation in both Europe and the United States.⁸ IMF was created with a purpose to promote international monetary cooperation to facilitate the expansion of international trade. IMF operates as a United Nations specialized agency and is a permanent forum for consideration of issues of international payments, in which member nations are encouraged to maintain an orderly pattern of exchange rates and avoid restrictive exchange practices⁹.

World Bank is a specialized United Nations agency that shared its birth with IMF at the Bretton Woods conference in 1944. The main aims of the banks are,

....To assist in the reconstruction and development of territories of members by facilitating the investment of territories of members by facilitating investment of capital for productive purposes (and) to

promote private foreign investment by means of guarantees or participation in loans (and) to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital...¹⁰

It is worthy to note that despite that both financial institutions loan do depressed and developing countries, their loans are intended to address different problems. The IMF loan goes mainly to countries that have balance of payment problems (those that cannot pay their international debts). IMF loans centre on temporarily fixing problems such countries face as a whole. Traditionally IMF loans were repaid within a short duration between 2½ and 4 years. Today, there are few longer term options available, which go up to 7 years, and options that lend to countries in times of crises like natural disasters or conflicts.¹¹

On its part World Bank offers loans to fund particular development projects. The bank provides loans and grants to countries that provide funding on a project basis. World Bank could provide funds to improve infrastructure in a region of a developing country. The agency is divided into two lending and developing institutions, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The former focuses on “middle income and credit-worthy poor countries”, while the later focuses on the lowest income and least credit worthy countries.¹².

Pre Sap African Economies

The last years of the 1970s and early years was a very bad period for African States' economies. The gains made previously were-highly challenged during this period. That Africa is a poor continent is a well known fact. She is the poorest of all continents of the world. She has the largest number of the poorest, countries in the world. Among the 42 nations that made up the Least Developed Countries (LDCs) in the world, Africa has 29, Asia and Pacific have 12, while Latin America has 1¹³. Within Africa the worst hit region is the Sub-Saharan Africa.

In the period preceding SAP in Africa, it was noted that Sub-Saharan Africa's economic growth was poor. It had been the weakest among developing regions. Poverty was rife in this region. In most countries of this region, the economic performance began to deteriorate in the mid-1970s, after growing an average of 2.6 percent a year between 1965 and 1974, GDP per capita “stagnated or turned down thereafter.

In the first half of 1980s, the adverse economic situation was heightened by further deteriorations in the terms of trade and sharply reduced access to international finance. For excess of two-thirds of all Africans, real incomes were lower in 1985 than in the mid-1970s.¹⁴

Besides as other countries outside the region diversify their export base and increase their shares in world exports of primary commodities, nations of the region chose opposite direction. Most of the region's economies failed to diversify their export base, sticking to one or two commodities only. "In the mid 1980s, primary products generated 80 percent of Africa's export revenue, roughly the same shares in the 1960s, and manufactured exports were significant in only a handful of countries"¹⁵

Also agriculture an important sector that would have helped in the growth of the continent performed badly. It was noted that between 1965 and 1980, the agricultural growth rose only 2 percent a year less than the rate of population growth. Between 1981 and 1985, it fell 0.6 percent a year. Africa's agricultural growth was negatively compared to that of south Asia, Latin America and East Asia, whose growth per year was 7.5, 3.1 and 3.2, respectively.¹⁶

Furthermore, the deplorable situation of African economies was not helped by series of global economic disasters during the late 1970s, the oil crisis, debt crisis, multiple economic depressions, and stagflation¹⁷. These fiscal disasters led policy makers to search for means to correct these anomalies. We shall now consider briefly few of such searches, the Berg Report, Lagos Plan of Action, APPER and UNPAAERD.

The Berg Report was a World Bank document of 1981. The report's assessment of the causes of African economic crisis was highly 'internalist'. It was sharply critical of the policies of African governments for having undermined the process of development through lack of incentives for agricultural producers which adversely affected output and exports, overvalued national currencies, neglect of peasant agriculture, heavily protected manufacturing industries and excessive state intervention. All these were singled out as 'bad' policies most responsible for the African crisis. The suggested solution to these problems, that would rescue Africa from its economic woes was simply SAP and its conditionalities which was seen as 'good' policies.¹⁸

The greatest challenge to Berg Report was a document signed in 1980 and published in 1981 by Heads of State of Organization of African Unity (OAU), the Lagos Plan of Action (LPA). The document traced the crisis of African states to a series of external shocks. These included deteriorating terms of trade for primary products, growing protectionism of wealthy countries, interest rates and growing debt service commitments. The panacea suggested by the document was a greater reliance, not on world-market mechanisms, but on the capacity of African states to mobilize national resources and foster greater mutual economic integration and co-operation.¹⁹

The deteriorating economic situation of Africa was worsened shortly after the promulgation of LPA, the Sahelian draught and famine struck with virulence, having its peak in 1983 – 84. The following year, a new OAU summit was convened in Addis Ababa, specifically for preparing a proposal on Africa's economic and social problems that will be presented to a special session of the United Nations General Assembly.

The summit produced a document, Africa's Priority Programme for Economic Recovery (APPER) 1986-1990. The document reiterated the role of external shocks in deepening the crisis and the need for greater self-reliance in order to overcome it. In sharp contrast to the LPA, however, APPER openly acknowledged the responsibilities of African governments for the crisis, and the limitations of any actions undertaken by African states on their own. These African states agreed to implement a variety of policy reforms consistent with the Berg Report and asked the international community to take action to ease the overburden Africa's external debt and to stabilize and increase the prices paid for their exports.²⁰

The result was a 'compact' between African states and the international community for joint action towards the resolution of the crisis, which was set out in the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD), 1986-1990. Critics like Fantu Cheru characterizes UNPAAERD as 'simply a reincarnation of Berg Report'²¹. The implementation of UNPAAERD focused more on the position of Berg Report to the detriment and neglect of LPA. That was the triumph of structural adjustment programmes which was adopted by many African states.

Implementation of Sap in African

With the supports of IMF and World Bank many African countries in the middle of 1980s adopted reform programmes that were meant to address the numerous economic crises that were abound in the continent. It is worthy to note that the adoption of SAP in some African states was not a consensus. Example in Nigeria when the country was about to adopt the programme, the debates on the conditionalities seem to show that the majority of articulate and patriotic Nigerians were opposed to it, because they were temporary measure that can neither lead to structural changes nor improvement of the standard of living of most Nigerians while the majority of 'leadership' who stand to benefit were in full support²². Despite lack of popular support for the programme, many African countries adopted SAP. "In the nine years between 1980 and 1989, 36 Sub-Saharan African countries had instituted SAPs designed and/or approved by the Bank and fund".²³

The implementation of SAP in many African countries was noted to be like a fuel added to a burning house. To many, rather than ameliorate the declining nature of African economy, SAP seemed to had made it worst that she met it. Also some people view SAP in the positive perspective. We will now consider some of the negative effects of SAP.

Currency Devaluation

One of the main evils of SAP was the currency devaluation of borrowing countries. It was the view of financial institutions that the currency of African states was overvalued. The currencies on average were at par with the United State's dollar. The position of these local currencies in the international market did not help local production of goods and services, as the capabilities of the currency made importation easy against local production of such goods.

In Nigeria, to solve or address the problem stated above SAP charged the Foreign Exchange Market (FEM) with the responsibility to correct the over-valuation of the naira and to provide, over time, a realistic rate *for* naira. Though weekly and later bi-monthly auctions at the FEM, the yearly official average exchange rate of naira fell from approximately \$ 1 to ₦1 in the period before SAP to ₦3.97 in 1987, ₦8.35 in 1990, and approximately 22.00 in 1993 and 1994. Also the

pound sterling rose from ₦1.20 in 1985 to ₦6.59 in 1987, ₦16.24 in 1990, ₦33.14 in 1993 and ₦33.00 in 1994.²⁴

Rather than aid economic development in Africa, countries that devalued their currencies were faced with deteriorating economy. The terms of trade was not favourable to African states as their currencies could no longer compete with dollar and pound sterling as it did prior to SAP, thus leading to deficit balance of payment. This also affected the growth in Africa as it is noted that “cost of imported raw materials, dominated in dollars, in turn becomes another impediment to real growth”²⁵. Reiterating the adverse effects of the currency devaluation, Aluko asserted in 1993 that “the over-devaluation of the naira is the major cause of the... parlous state of the economy”²⁶.

Liberalization

Liberalization is “an economic theory in favour of free competition and minimal government regulation”²⁷. Liberalize is to reform something and make it less strict. Trade liberalization was one of the SAP conditionalities that required recipient African countries to open their boarders for free flow of goods and services. The result of this policy was the influx of foreign companies and goods into Africa, thus making Africa the clumping ground for cheap European goods and services. In Africa, even today, there abound used foreign goods and cloths (Okirika) and cars (Tokunbo). These goods and services thrive at the expense of locally manufactured goods and services.

The foreign companies popularly called ‘multinational corporations came to dominate the economies of African countries. They stifled the growth of local industries that do not have the required resources and technical knowledge to compete with them. These foreign companies had their headquarters at their home states and what they do in their host states was to appropriate surpluses and repatriate the gains home, thus they were referred to agents of capital flight. They hardly invest in the economy of their host states technically and otherwise. Their aim was to strangulate the African economies rather than promote them, thus Prof. Nwabughuogu referred to them as “the most deadly agents of neo-colonialism”²⁸. Stressing the dominance and exploitation of African economies by these multinationals, Robert Mugabe, quoted by Nwabughuogu noted that:

At home, foreign investors have dominated our primary, secondary and infrastructure sectors in many cases owned, and the principal operators being variously known as multinationals. They produce, unless property controlled by a system of regulatory measures, a mouse's share for us and a lion's share for themselves. Our resources cease to be our own. We remain dominated economically by economic lords as we were politically dominated by political lords yesterday.²⁹

In Nigeria, it was reported that the implementation of the IMF/World Bank conditionalities, especially liberalization and devaluation, led many firms to reduce prices for them to be in business, with the resultant effect of reduced profits. At other times, it caused closure of businesses. This point was well noted when the Manufacturers Association of Nigeria (MAN) made claim that up to 20 percent of manufacturers had gone out of business, arguing that Nigeria was on course for "deindustrialization".³⁰

Privatization and Commercialization

These were other conditionalities of SAP. Privatization is the conversion of businesses from government ownership to private ownership. This can involve denationalization of industry as well as allowing the private sector to provide what had been considered government services³¹. Commercialization is the total restructuring of a government owned public sector enterprise such that it operates as a fully independent profit oriented venture which does not depend on the government for subvention. A fully commercialized firm is able to raise fund from the capital market without government guarantee³².

Since the adoption of privatization and commercialization as conditionalities of SAP, Africa had not achieved the desired goal. The policies rather than assist the growth of African economies, they had institutionalized exploitation of the masses. Privatization in African countries had favoured a selected few to the detriment of the majority, thus making the masses poorer than before the adoption of the policies, as observed by this source, "privatization has meant the transfer of public wealth to a few individuals, especially foreigners and their local agents"³³. Most privatized companies in the continent were sold by the leaders to themselves and their cronies, thereby making themselves the sole benefactors of policy. Besides in most cases, public enterprises were sold for less than their net worth, all inspired by the bogey of

attracting foreign investment. Increased unemployment was an inescapable result of privatization.⁵¹ That the masses suffered under this conditionalities cannot be overemphasized, we shall see some examples under the impacts of SAP.

Deregulation

Deregulation means the dismantling of legal and government restriction on the operation of certain businesses³⁵. Deregulation of social services means the withdrawal or reduction of government support for education, health-care, housing, agriculture³⁶. Also banks, petroleum products and others were also deregulated. Deregulation caused more harm than good. The masses suffered more the adverse effects of this conditionality. There was increase in the prices of some essential services; this made it difficult if not impossible for the poor masses to access such services, like education, health care, house and others. The impoverishment nature of this conditionality was noted thus, “Deregulation and the removal of price control means that Nigerians have to pay substantially more even for what they produce domestically and at a time when wages - (were) held down artificially³⁷.”

Conversely to the policy of deregulation, some scholars like Prof. Sam Aluko was of the view that an economy must be regulated. Saying that in a lawless economy, people act as they like. He noted that in Nigeria, one can take a million naira out of the country (1995), which could not happen in England then. He continued that one cannot go to a shop in England and spend E50,000, and also such actions were checked in America. But in Nigeria, one could spend \$2 million or a million ‘naira. He also pointed out that one cannot carry money around in the other countries mentioned above, but Nigerians did that. He reported about a Nigerian that carried \$4 million out of the country and yet when he was arrested in London, he said he carried his money because there is no law in Nigeria that forbids him carrying money about. Thus Aluko stated thus, “So, we say there’s no regulation yet in Nigeria. Left to me the regulation should be more”³⁴. These among many other conditionalities of SAP were implemented in the continent by her leaders at the instruction of international financial institutions.

Impacts of Sap in Africa

The effects of implementing SAP in Africa had elicited different opinions from different categories of people. The scholars, IMF and World Bank, governments among others had at one time or the other reacted to the implementation of SAP in the continent. Many were of the view that SAP was evil. To this group, SAP impoverished the people of Africa and also deteriorated more the health of the very sick economy it came to cure, thus to them, Africa suffered more economically, socially and politically Post -SAP than Pre - SAP period. The group was of the opinion that SAP was a failure.

There is plethora of examples available that lay credence of the view of this group, but we shall consider few of them. First the policy was not easy to implement. The immediate cause of the implementation of SAP was increased costs of imports and increased price of domestic goods (even foods). This was not palatable to masses, especially the poor. According to former United Nations Secretary General, Mr. Boutros Boutros - Ghali (quoted by Offiong), noting negative effects of SAP stated that the programme was not popular on the streets of Africa. He further stated that the fruits of SAPs were yet to ripen (then) “but hardships they have brought are already very apparent. Dislocation, unemployment and declining living standards are only a few of the immediate difficulties that many countries are now experiencing³⁹.”

Noting the adverse effects of SAP in Nigeria Jonathan OOgugua a Liberian said that, to the rest of Nigerian people (except for wealthy class), SAP was proved to be hardship. Inflation consumed the small salary that most people earned. Crime, disease, strikes and lockouts and widespread hunger were the signs of failure in SAP⁴⁰. SAP hatred for the poor was well noted as the implementation recommends cutting government spending in programmes like education, health and social care, and the removal of subsidies designed to control the price of basics. Thus SAP affected the poor most, because they depended heavily on these services and subsidies⁴¹.

Besides, they were of the view that SAP was created chiefly to service the needs of its creators and not that of Africa. First the policy to a great extent created to guarantee or ensure debt repayment by African countries. The conditionalities were made to secure funds that would be used to pay or at least service the loans borrowed from the international financial institutions. In the words of Professor Adedeji,

the imposition of SAP, on debtor (African) countries was principally “a way of forcing them generate enough foreign exchange to service their debts,”⁴² to the detriment of the masses, thus satisfying the western creditors.

Stressing that SAP benefited the North against Africans it was noted that Africans switched in the production of their local needs to goods that can be sold in the industrialized countries.

SAP encouraged countries to focus on the production of primary commodities such as cocoa and coffee to earn foreign exchange. But these commodities had erratic prices subject to the whims of global markets which can depress prices just when countries had invested in the so – called “cash crops”⁴³. It is on record that since 1980s, dozens of countries followed these policies simultaneously. They often exported the same primary commodities, competed with one another and then suffered because of the declining world market prizes for their commodities “Between 1980 and 1992 ‘developing’ countries lost 52% of their export income due to deteriorating prices”⁴⁴.

Osaghae succinctly captured this view that SAP was more favourable to the western powers against the locals where the policy was implemented, he noted that:

SAP has an economists bias, which meant that its success was calculated by the ability of a country to service its external debt repayment and attract foreign investment, a positive balance of payments/and vague indices of economic growth (often made up for by currency devaluation), rather than improve quality of life, a bias, usually described in terms of ‘adjustments without human face’. Thus the entire package become (became) something of a war on ordinary people⁴⁵.

Conversely, some people were of the view that SAP was a wonderful policy created to revive the ailing African economies. To them what seemed like failure of SAP was the problem of poor or incomplete implementation. In their view, had African nations implemented in full SAP, their economies would had developed. Onome Osifo – Whiskey wrote that SAP draws many supporters who applaud its emphasis on deregulation and market - induced growth. They were of the opinion that the programme was allowed to suffer grievously from the Nigerian disease of poor implementation⁴⁶.

Also the positive gains of SAP in Nigeria during the period was among others the growth in the GDP, advancements in other key sectors of the economy, including both oil and non – oil services. The country also successfully encouraged an increase in agricultural exports, successful implementations of debt rescheduling programmes. All these gains helped to reduce the country's foreign debt, and given both rural and urban Nigerians an increased income⁴⁷.

Africa Recovery also reported the gains of SAP in Nigeria. The magazine was of the view that due to the implementation of SAP, Nigerian industries was more efficient and competitive. A largely protected Pre - SAP sellers' market has been turned into a more open buyers' market in which firms had to be far more cost-conscious to survive⁴⁸.

To put to rest the arguments of the two groups mentioned above, we shall consider the broad impacts of SAP. In doing this, we will see development in the eyes of Dudley Seers, who asserted that development must be considered in the line of three pertinent questions – what is happening to unemployment, poverty and inequality. He concludes that if these indices are on increase in any giving economy, such an economy cannot be said to be developing, vice versa⁴⁹. Thus we shall broadly look at the impacts of SAP as it affects unemployment, poverty and inequality.

Unemployment

The implementation of SAP in Africa was one of the major causes of unemployment in the continent. There was large scale of job losses in the countries that adopted SAP during this period. This was caused by many factors privatization of companies, downsizing or retrenchment of workers, closure of companies among many others. It was noted that the implementation of SAP resulted to the lost of “millions of lives, 10 million jobs, destruction of thousands of thousands of industries...”⁵⁰.

Many of the industries established since 1962 when Nigeria adopted import substitution industrialization as a strategy of development, had either folded up or drastically cut down their levels of production in response to the high cost of foreign currencies needed for the purchase of manufacturing inputs⁵¹ (Courtesy SAP conditionalities). Many workers was relieved of their jobs, therefore could not fend for their families.

In Nigeria during the period, unemployment remained at an all – time high, with continued retrenchments in the public sector and endangered industrial and manufacturing sectors⁵². The devastating nature of unemployment and the economic hardship was noted by Africa Recovery thus, “Rising unemployment – officially estimated at 3 million people, but affecting 5 million people according to the Nigeria Labour Congress – has pushed many into a downward spiral of poverty”.⁵³

Poverty

There had been increased poverty in post – SAP Africa. The continent’s poverty vis-a-vis the international financial institutions, and the poverty within nations of the continent had accorded Accolades’ to Africa (especially Sub - Sahara) as the poorest continent in the whole world. A good number of African states were and still in dark of how to liberate themselves from the shackles of poverty. One major means in which Africans had been fleeced and subjugated economically by the exploiting institutions of the west was through loans. It is worthy to note that a good number of African states adopted SAP knowing that it was not a panacea to their economic woes, but was attracted by the loans in which was used to avert bankruptcy of the nations, as well as means of servicing the loans. Example it was noted in Nigeria, “The motivation for reform seems to have stemmed primarily from the desire to find a solution to the external debt problems faced by the country...”⁵⁴

To solve these problems (economic), African nations resorted to taking loans from IMF and World Bank, and implementing the conditionalities. The new loans taken had not solved the problem of debt in African countries, rather even till date, what we had experienced was unending taking of new loans to pay and service old debts to the benefit of the creditors.

The pre – SAP debt crisis in Africa was worsened during post – SAP period. It is on record that Sub - Saharan African total debts to the IMF rose from 84 million dollars in 1980 to 223,298 million dollars in 1995⁵⁵.

African nations had been trying to pay the debts owed to these financial institutions. It was observed that an average estimate of “one billion dollars a month, amounting over 100 billion dollars in the past 10 years, has been drained from Africa courtesy of SAP”.⁵⁶ The problem was that the more African countries pay their debts, the more they

became indebted to these institutions. Through the manipulation of the international financial institutions, Africa had over paid loans borrowed and they were still indebted heavily to these bodies.

The major problem was that these loans were given with huge interest rates. Those who cannot pay their loans were encouraged or even forced to borrow loan with conditionalities to pay such unfavourable interests and avoid bankruptcy. It is noteworthy that debt repayment drained about 160 billion dollars each year from 'developing' countries. This was about 2.5 times the total development aid that these countries received⁵⁷. The wickedness of this perpetual loans and debts experienced by developing nations was succinctly noted thus:

In 1980, the total debt of developing countries stood at US \$567 billion. Between 1980 and 1992, these countries paid back US \$1662 billion. However, because of the high interest rates, the debt increased to US \$1419 billion in 1992 despite the repayments!⁵⁸

In Nigeria, the evil hands of ever – Increasing debts was also noted. The government debt relation with creditors was frustrating. It was observed that:

Despite the fact that the original borrowing was \$17,662 billion and despite the fact that the government has paid \$6,749 billion in capital and interest, there (was) still an outstanding balance of \$19,091 billion which is far in excess of the original borrowing⁵⁹.

It was also observed that debt repayments, since the 1980s, had been major mechanism of transferring wealth from the south to the north. This statement was acknowledged in 1994 by former French President Francois Mitterrand thus:

Despite the considerable sums spent on bilateral and. multilateral aid, the flow of capital from Africa towards the industrial countries (was) greater than the flow of capital from the industrial countries to the developing countries⁶⁰.

The poverty of African States greatly affected the citizenry adversely. The governments were implementing the anti-people IMF/ World Bank conditionalities to maintain their obligations to these institutions to the detriment of their citizens. SAP seemed to had been imposed to ensure debt repayment which was made possible for poor

African nations via reduction in government spending on social services like health, education, among others. This affected the standard of living of Africa people. The poverty status of African nations noted above made it difficult for their government to play their roles to their subjects. It was noted that in Nigeria education's share of the federal budget reduced from 7.5 per cent in 1980-85 to around 3.5 percent in the second part of the decade. Health's share also decreased.⁶¹ The revenue for African people during the post – SAP period was also well noted. In Nigeria, by the end of 1980s, average incomes had fallen below \$300 ahead, lower than in 1975, with a sharp increase in people living in absolute poverty⁶².

In Nigeria, the poverty caused by SAP cannot be over emphasized. The adverse effect of SAP was devastating as the standard of living of Nigerians deteriorated. A World Bank Report in 1991 ranked Nigeria as the thirteenth poorest country in the world. Also the United Nations Development Programme asserted in 1990 that Nigeria had one of the worst records for human deprivation of any country in the third' world. Per capita income decreased from estimated \$778 in 1985 to \$175 in 1988 and \$105 in 1989⁶³.

A Zambia mother of four noted the adverse effects of implementing SAP's conditionalities on her and her family thus:

Prices have rocketed since 1982. The IMF action certainly meant there were more goods in the shops but they were expensive things that we don't buy. My husband's salary hasn't increased since 1985 so I can't afford to buy even the basics now. We only have meat once a month now - on pay day. When we heard that the subsidy was to be lifted, I felt sure that malnutrition would come to my children⁶⁴.

Inequality

Inequality became rife in Africa post - SAP period. The implementation of SAP in the continent widened the gap between the rich and the poor in many African societies. In the midst of difficulties experienced during the period, there was a selected few that gained. The more the masses were asked to 'tighten the belts, others loosen their own'. The suffering of many became the gain of few.

The inequality in the currency of individual African countries vis-a-vis the currency of donor agencies gave more advantage to the creditors

which they used to exploit and subjugate the economies of African states. This point was well elucidated when we discussed devaluation. Also SAP contributed to the widening gap between the developed countries and Africa. The one sided dominance of the North, in the North – South economic relations was clear example of inequality. In this relationship the loss of the South added to the gains of the north. The international financial institutions that provided, for the third world countries, need based loans still receive huge interest rates on the payments,⁶⁵ thus appropriating more fund from the South in this unequal relationship.

An example of wealth transfer from the South to the North was “In 1997, developing debtor countries paid over \$292 billion in debt service, from IFIs and received \$269 in loans⁶⁶. There are other examples noted under poverty on this issue. Many view SAP as economic enslavement of African states by the North, because it was drafted by institutions of the North and foisted on Africans.

Among the citizens of different African states, the shocks of poverty widened the gap between the ‘haves and have nots’. The inflation that came with the conditionalities of SAP really dealt with the poor, thus denying them the wonderful goods and services enjoyed by the privileged few. It reduced the purchasing power of the people. Due to some obnoxious conditionalities quite a number of the pre - SAP companies and industries folded up, thus a good number of the population became unemployed.

Besides some employed citizens of African states were experiencing different forms of hardship which included among others low purchasing power. In Nigeria, many workers resorted either to trade their skills outside the continent or to do menial jobs to augment the meager earning, like using their cars and motorcycles for public transportation. This affected the performance and productivity of such workers in the offices, as some engaged in these other jobs even during working hours⁶⁷. SAP through its conditionalities impoverished the ordinary African, it widened the gap of inequality among the citizens by empowering a minority few. Eghosa noted the beneficiaries of SAP as banks, foreign exchange merchants, local agents of foreign companies and others⁶⁸.

From the foregoing, impacts of SAP in the areas of unemployment, poverty and inequality one can deduce that SAP was a failure despite the position held by those who believed that the policy was positive.

The failure of SAP was acknowledged by IMF and World Bank, and even the governments that adopted it, against their earlier positions. The formulators of SAP admitted the failure of the programme. World Bank Vice-President responsible for Africa Edward V.K. Jaycox said that SAP has become “a systematic destructive force”, he continued that World Bank has been unable to design the appropriate solutions for Africa’s economic problems and would no longer “impose” foreign expertise on unwilling Africa government⁶⁹. Besides, the World Bank President Michel Camdessus admitted publicly that the bank’s programmes in Africa in the past had failed to address “poverty alleviation”⁷⁰. Also at a forum, Dr. Steven Webb, a senior economist of the World Bank admitted that “the Bank made a number of mistakes in its SAPs”⁷¹.

In Nigeria Olu Falae, against his background of being one of the architects of SAP in the country, noted the adverse effects of the programme to include high cost of living, unemployment jumped through the roofs, piling social cost, hunger, devastated families, children were abandoned by the parents and increased crime rate⁷². From all indications the programme was a huge failure. The term “SAP” gained such a negative connotation that the World Bank and IMF launched a new initiative, the poverty reduction strategy initiative, and made countries develop Poverty Reduction Strategy Papers (PRSP). While the name has changed, the World Bank and IMF were still forcing countries to adopt the same types of policies of SAP⁷³.

African Reactions to SAP

SAP policies continued in Africa despite the indices of failure of the programme being well noticed. In Nigeria, Babangida regime stuck to the programme. Rather than do away with the programme that was causing pain to the masses, the government mandated the people to accommodate more pain. In the words of Babagida;

There is no viable alternative (to SAP). Government will continue to do all in its power to cushion the pains of SAP without derailing it... we cannot, and we should not abandon this programme mid-way because the pains of trying to re-introduce at a later stage will be worse than the current pains and we may perish in the process⁷⁴.

The intransigent attitude of the government to continue with the programme despite the adverse effect it had on the masses soon won the regime fierce opposition from some group of persons in the country. This included the organized labour, academics, wage earning groups and mainly University students, all experienced hardships caused by implementation of SAP. Subsequently, there were mass movements and protests in Nigeria and other parts of Africa. These are selected notable struggles against SAP in Africa culled from www.whirledbank.org/.../sap.html⁷⁵

Algeria (October 1988)

More than 200 people killed in rioting against the high prices and unemployment in wake of SAP.

Benin (January – June 1989)

University of Cotonou students strike, paralyzing institutions for six months, in protest of non-payment of grants for several months and the government's intention to stop paying them altogether in 1989 as part of SAP reforms. Teachers strike begin in April, with demands for payment of four month's salary arrears, the withdrawal of 50 percent reduction in their salaries (part of IMF mandates), the unconditional liberation of all teachers, pupils and students held during the strike and the reintegration of 401 teachers dismissed in March for striking.

Niger (February 1990)

Students of University of Niamey boycott classes to protest adoption of reductions in educational funding mandated by SAP. During the course of a peaceful demonstration, police fired on demonstrators killing three (according to official police sources) or 14 (according to student leaders). Many others were wounded.

Nigeria (May 1986)

About twenty students and bystanders at Ahmadu Bello University (ABU) in Zaria were massacred by security forces after staging peaceful protests over impending introduction of SAP and the ABU massacre during the following days at Kaduna Polytechnic, the University of Benin and University of Lagos.

(April 1988)

Students demonstrated at 33 Universities against fuel price increase demanded by IMF – inspired SAP.

(May – June 1989)

Dozens of people killed and hundreds arrested in riots and strikes against SAP in Lagos, Benin city and Port-Harcourt. Government were forced to offer a welfare programme called “SAP Relief Package”, the establishment of a Mass Transit Scheme and a “People’s Bank”, and a review of the minimum wage.

(May 1992)

Students of Universities of Ibadan and Lagos protest against implementation of SAP, which they accused of being responsible for the deterioration of campus facilities and education programmes as well as doubling of transport prices. Police responded by shooting at demonstrators, wounding at least five students. Battles between young anti-government demonstrations and riot police in Lagos leave at least three dead and hundreds injured. The IMF and World Bank made the removal of subsidies and probable increase of price of gasoline the main imperative in its negotiations with the Nigeria government.

Sudan (October – November)

Steep currency devaluation and price hikes resulting from arrangements with both the IMF and World Bank led to demonstrations by about 15,000 in Khartoum to denounce IMF. Students at University of Khartoum occupied buildings led to eventual closure of the institution street violence and arrests followed.

Uganda (December 1990)

Students at Makerere University protest cutting of stationary and travel allowances arising from a World Bank – imposed SAP. Police fire into a crowd of protesting students, killing two.

**Zaire (Now Democratic Republic of Congo)
(March 1985)**

Students at Mbanza Ngungu and Mbuji Universities criticize cuts in higher education budget adopted by the government in compliance with IMF's SAP.

Zambia (January – February 1989)

Food price riots in the northern copper mining district in response to a SAP announced in December 1986 eventually led to programme's suspension. These and many others were the reaction of Africans to SAP. The government reacted with repressive force. An observer noted that SAP cannot be implemented in a democratic state, thus accusing IMF and World Bank of encouraging military and one – party dictatorships in Africa. Noting how opposition to SAP was brutally suppressed down by governments of the continent, the observer concludes that:

“The bank and fund are, therefore, accomplices in the murder, torture and other human rights and anti-democratic abuses, arising from the implementation of... SAPs in African countries”

Conclusion

As stated in the abstract, we studied the introduction, implementations and impacts of SAP in the economies of African states, using Nigeria as a case study. The desired aim of adopting SAP by numerous African States was dashed as the programme turned out to be a failure. The implementation of the conditionalities of SAP resulted to adverse effects on the economies of African nations and their masses. The gains of SAP were greatly accrued to the formulators and their agents. Though few in number, the benefactors of SAP in one way or the other entrenched unemployment, poverty, inequality within the economies that adopted the policy, and increased dependency of African nations on the donor nations.

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