Impact of External Debt-Induced Structural Adjustment Policies on Salient Aspects of the Nigerian Economy

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Abstract
Nigeria as also most African countries have as yet nothing to show from receiving foreign aid and loans running into billions of dollars well over the past 40 years. The contention for an end to aids and loans to developing countries and Nigeria in particular especially holds from the immense harsh realities that have been endured by the masses of the people all through the decades external aids have subsisted. The paper carried out a documentary survey of the impact of International Monetary Fund’s structural adjustment policies (SAP) on salient aspects of the Nigerian political ecology and found that IMF conditionalities are dubiously aimed at maintaining continued resource transfer from debtor countries to creditor nations with adverse impact on the environment and cost of living of the civic population of debtor countries. The adversities brought about by the policies ultimately violate international conventions on rights to life and well-being. The study therefore requests civil society groups, nongovernmental organisations and concerned international organisations to intervene and redefine the terms of engagement between debtor nations and their creditors with a view to redressing the disproportionate incidence of external debt and its conditionalities on the civic population of debtor nations especially those of Nigeria.

Key words: International monetary fund; Right to life; Structural adjustment policies; Nigeria; Environmental degradation; Debt burden

INTRODUCTION
The lethal impact of International Monetary Fund’s (IMF) propelled structural adjustment policies (SAP) on developing countries have been variously highlighted in the literature (Oberdabernig, 2010; Kawewe & Dibie, 2000; Nwannebuike, Ike, & Onuka, 2016; Ayadi & Ayadi, 2008; Sachs, 2005; Boyce & Ndikumana, 2001; Okpara, 2011; Fosu 1996, 2007).

Among them, Fosu (2007) observes that high debt service payments besides creating adverse fiscal imbalances, shifts spending away from health, educational and social sectors all obscuring the motive behind external borrowing in the first instance, which is to boost socio-economic development other than get drowned in a pool of debt service payments which drains most of a debtor nation’s resources hindering growth in the process.

Ismi, (2004) especially highlights that external debt led the ‘80s to be tagged “the lost decade” for Africa and most developing countries following from the disastrous consequences of IMF imposed SAP which witnessed the subjection of some 70 developing countries to the former’s economic medicine especially from 1980 to 1993.

Between 1984 and 1990, Third World countries under SAP transferred some $178 billion to Western commercial banks. So enormous was the capital drain that Morris Miller, a former World Bank director remarked that “not since the conquistadors plundered Latin America has the world experienced such a capital flow in the direction we see today.” (Walden, Cunningham, & Rau, 1994)
By severely restricting government spending in favour of debt repayment, the IMF disembowels the Third World leaving in its wake spiraling poverty and hunger fueled by slashed food subsidies and decimated health and education sectors. Growth stagnated and debt doubled to over $1.5 trillion by the end of the 1980s, doubling again to $3 trillion by the end of the 1990s (Ismi, 2004).

Fischer, Meltzer, Sachs, and Stern (2003) assume it is one of the cruel ironies of international development that high-income countries achieve economic growth with regularity while many of the poorest countries experience chronic stagnation or decline.

Osabu-Kle, (2000, p.516) however feels otherwise and subsumes that the diverged growth stems from the one-sided application of IMF conditionalities around the world noting that the conditionalities are selectively administered with developing countries treated with harsher measures than those imposed on Western countries altogether.

1. STRUCTURAL ADJUSTMENT POLICIES

IMF structural adjustment policies refer to conditions that the IMF requires in exchange while lending financial support to client countries. The IMF does not require collateral from countries for loans. It rather requires the government to bow to its liberal and free market dictates of privatisation and currency devaluation among other obnoxious dictates.

To this end, countries are required to mortgage their economic destiny and be answerable to the IMF and its allied International Financial Institutions (IFIs) before receiving loans. The greatest irony of the IMF’s conditionalities albeit is that the conditions for loan involve doing the very opposite of what is required to spark off development (Stiglitz, 2000; Sachs, 1995).

IMF structural adjustment policies comprise economic reform packages designed by external creditors to reduce a loan recipient country’s trade and balance of payment deficits by cutting down public and private expenditures. (wa Muiu & Guy, 2009).

Structural adjustment policies may be summarised as follows:

i. Focusing economic output on direct export and resource extraction, (grow more cash crops as required by western industries) currency devaluation;
ii. Elimination of government subsidies for food and other items of popular consumption;
iii. Trade liberalisation; Removing price controls and state subsidies, (lifting import and export restrictions);
iv. Increasing the stability of investment; enhancing the rights of foreign investors vis-a-vis national laws;
v. Privatisation of key or all state-owned enterprises; sell off public enterprises without protection of infant industries;
vi. Reduction in government social expenditure (health, education, etc.) among other policies (Lissakers, 1991; Bogdanowicz-Bindert, 1986).

However, Stiglitz (2000) authoritatively submits that in theory, the IMF supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. While it does not “impose” anything officially, it “negotiates” the conditions for receiving aid retaining all the power in the negotiations and rarely allows sufficient time for broad consensus-building or even widespread consultations with either parliaments or civil society.

Adedeji summarily notes that SAP was formulated to ensure that the developing countries entangled in external indebtedness were able to save funds towards fulfilling their obligations (Adedeji, 1993); and not so much as to enable indebted countries to actually develop.

2. PURPOSE

The purpose of this exploratory review is to highlight the impact of IMF conditionalities on salient sectors of the Nigerian political ecology with a view to raising concern over the continued strain engendered by debt burden and its services on the poor civic population of Nigeria who have rarely benefitted from much of the loans that were acquired over the years.

To this end, evidence will be corroborated from selected documentary sources to fully identify the extent of damage thus far inflicted by SAP with respect to:

i. Impact on cost of living
ii. Impact on the Environment
iii. Impact on Education

3. NATURE OF THE PROBLEM

Nigeria’s external debt service for the first six months of 2016 was a total of $165,659,200 following from $117,660,770 spent on serving the country’s external debt in the first quarter and $47,998,430 in the second quarter (Amaefule, 2016).

Meanwhile, $297,329,300 was spent in 2013 and a total $346,723,290 spent on the same item in 2014. In 2012, the servicing of external debts cost the nation a total of $293,003,540, while a total $351,619,070 was expended in 2011. This means that in the past five years, the country expended a total $1.62bn to external debt service (Amaefule, 2016).

Following from the foregoing statistics, it becomes glaring that every civic individual in Nigeria contributes not indirectly, but directly to the purse of Western creditors via increased prices of goods and services.
when indeed they were not involved in negotiating and acquiring the loans for which they now pay.

**Matters have been made worse by media disinformation on the state of Africa’s economy with particular respect to Africa’s gross domestic product (GDP) figures, which saw an average continental growth of 5.6% between 2002 and 2008, making Africa the second fastest-growing continent in the world (Economic Commission on Africa, 2012, pp.11-14).**

But a “rise” based on an intensification of resource extraction whilst dependency deepens, inequality increases and de-industrialisation continues space, cannot be taken seriously (Taylor, 2016).

The Nigerian economy is notable to have grown rapidly especially within the past decade but the country cannot as yet boast of regular electric power supply despite its position as the highest producer of oil and gas in Africa; instead the country is paradoxically bedeviled by continued absence of wage-employment; unavailability of incentives for entrepreneurial development; poor health care; environmental degradation; continued rise in the cost of living and more.

Nigeria remains also in the forefront of the African continent whose average daily consumption of primary energy varies between 25,000 and 30,000 kcal, which means that the “average African” is still using less energy than the “average” person used in England in 1875. (Davidson & Sokona, 2002, p.11).

Petitifor (2003) however subsumes that what is often not taken into account, is the fact that the incidence and actual burden of external debt and its servicing falls not on the actual borrowers who are often corrupt presidents, finance ministers, and central bankers of debtor governments but on the civic population of unemployed, taxpayers and rural women who know nothing about the source of their hardship.

4. **LITERATURE REVIEW**

4.1 **Nature of Nigeria’s External Debt**

The debt crisis for Nigeria began in the early 80’s as short-term trade arrears amounting to over N4 billion aggravated serious balance of payments deficits, under the then Shagari government (1979-1983) (Forrest, 1993).

Iwunze, (2013, p.47) explains that attempts to stem the worsening economic situation, by the then Shehu Shagari administration led to the institution of austerity measures which were also SAP conditionality through the Economic Emergency and Stabilization Act of 1982 which involved much tax imposition on various sectors of the economy.

When the austerity policy did not succeed, government resorted to borrowing from the international financial market. The situation was further compounded by the increasing interest rates resulting from a general decline in economic productivity in the industrialised countries and the subsequent worldwide recession in the early 1980s which impacted on Nigeria’s reserves for foreign exchange. It could neither service its debt nor finance the country’s basic imports adequately. The government had to apply to the IMF for a three-years extended loan facility of US$2.3 billion (Ogundipe, 1985).

It is noteworthy that the Buhari regime that succeeded the Shagari administration serviced external debts more than other regimes, and tended to be anti-IMF. Efforts at raising loan from Saudi Arabia was nipped by the United States’ led IMF in February 1984 leading the regime to publicly criticise the IMF consequent upon which a deadlock ensued over the possibility of assessing IMF loans (Banguna, 1987).

Be that as it may, the way and manner the Buhari regime was toppled and the quick manner by which the Babangida led regime accepted complied with the IMF prescriptions showed glaringly that the Buhari ouster was Western masterminded.

In fact, the full blown devaluation of the currency and massive inflation that attended within one year of the Babangida regime showed glaringly that it served Western interests as conduit used to sustain Nigeria’s dependency to foreign creditors.

The consequence was widespread nationwide demonstrations and riots and resultant loss of several lives that virtually characterised the entire era of the regime.

4.2 **Impact of External Debt on the Nigerian Education Sector**

Odia and Omofonmwan, (2007) highlight that from the inception of SAP in 1986 budgetary allocations to the education sector declined appreciably with the value of the national currency impacting further on the procurement of educational materials and equipment required by the sector.

On yet another note SAP bears heavily upon girl-child education because poor parents will opt to send boys to school within African cultural belief system that the male-child veritably ends up as bread winner in a family.

SAP further impacts adversely on the prospects for higher education as it stands out as unaffordable necessity especially for low income family groups. To this end, Ukah (2014) notes that social spending in sub-Sahara Africa fell by 26% between 1980 and 1985, as books and other materials for studies became scarce commodities.

Majavu, (2009) advances that the colonialists in Africa designed an education for Africans that was meant to create a subservient elite class that supported and took care of the interests of the colonialists and the empire; while in the post-colonial Africa, IMF and World Bank policies were designed to produce a subservient elite class that supports the free-market system ideology.

Federici, Caffentzis and Alidou (2000, p.x) subsume that IMF conditionality on education implies that all funds to public education is cut off, teachers and other
academic staff retrenched all on the note that Africa should promote vocational training because it lacked both intellectual and technological capacity to sustain higher education. In other words, what Africa needs are carpenters and manual skilled workers and not those with cognitive power.

4.3 Impact of SAP on Cost of Living Among Nigerians

By devaluing the currency and simultaneously removing price controls, the immediate effect of a SAP is hike in prices up to three or four times the initial price, which increases poverty to such an extent that riots become frequent.

Devaluation makes local goods cheaper for foreigners to buy and theoretically this should attract foreign direct investment while discouraging imports which by devaluation become more expensive. In principle it should make a country wary of buying expensive foreign equipment. In practice, however, the IMF actually disrupts this by rewarding the country with more loans for increased importation. This also implies accumulated debt; hence a debt trapped country would continue to suffer from poor standard of living while remaining ever in servitude to creditors.

SAP in Nigeria has continued to breed mass poverty, declining standards of living deepening inequality between social strata, rising unemployment and retrenchment.

All of these have led to mass unrest at various points around the country. In May 1986 about twenty students and bystanders at Ahmadu Bello University (ABU) in Zaria were massacred by security forces after staging peaceful protests over the introduction of SAP. More students were killed in similar protests at Kaduna Polytechnic, the University of Benin and the University of Lagos (Caffentzis & Federici, 2001).

By April 1988 students demonstrated in more than 33 universities against fuel price increase all occasioned by IMF-inspired SAP. Between May-June 1989 dozens of people were killed and hundreds arrested in riots and strikes against SAP in Lagos, Benin City and Port Harcourt. Government was forced to engineer make-shift relief packages like the establishment of a mass transit scheme and micro-finance banks, accompanied by a review of the minimum wage but none had any meaningful effect among the generality of the people as the measures rarely impacted meaningfully on peoples’ lives (Chossudovsky, 1998; Caffentzis & Federici, 2001; Federici, 1990).

In the present, virtually all of the hurriedly instituted relief packages are nowhere to be seen as the micro-finance banks for example were buried with the NEEDS economic restructuring of the Obasanjo administration (1999-2007) during the banking recapitalisation exercise that not only terminated the banks but also enforced mass retrenchment (Ogujiuba, 2014; Okonkwo, 2014).

4.4 Impact of SAP on the Nigerian Environmental Sector

IMF generated SAP undermines the environmental resources and social fabric on which the long-term development of nations will ultimately depend (Munasinghe, 1999, p.9; Cruz & Repetto, 1992; Cruz & Munasinghe, 1996; Owusu, 1998).

IMF policies impact negatively on virtually all sectors of the environment in Nigeria with respect to raw materials depletion, mineral depletion, deforestation, climate change, biodiversity extinction and several aspects of the Nigerian political ecology.

SAP impacts on the environment in subtle and overt ways, perhaps the most visible aspects comprise:

i. Gas flaring which not only depletes the ozone layer but also impacts on green nature
ii. Soil degradation
iii. Carbon emission from constant use of coal
iv. Land degradation from oil spillages
v. Carbon emission from so many rickety vehicles
vi. Deforestation

Blaikie and Brookfield (1987) describe soil degradation as a reduction in the land’s actual or potential use. Lutz, Pagiola, and Reiche (1994) add that several cultivation practices tend to degrade soil over time. For example, cultivation can expose soil to water and wind erosion, repeated tillage can weaken soil structure, crop production and ultimately compact the soil. Nothing more could engender continued pillaging of agricultural land than excessive demand for cash crops by which to obtain foreign currency.

To this end, Killick (1993, p.349) explains that growing poverty leads to desperation, which invariably promotes degradation of the environment through over cropping, over grazing, and denuding of forests because concerns over immediate survival take priority over sustainable development.

This situation has been grossly warranted by sustained poverty in Nigeria due to exogenous demands from foreign creditors. Today, the location of the legendary groundnut pyramid of Kano city of Nigeria can no longer be traced.

On yet another count, Africa’s use of firewood and charcoal as energy sources (about 67% of primary energy use) is the highest in the world. If current population pressure continues and use patterns do not change, satisfying future demand will pose a major environmental problem because of the contribution to deforestation, which leads to erosion with adverse impact on biodiversity (Davidson & Sokona, 2002).

For Nigeria, rural electricity access is less than 20 per cent. Most rural populations are off-grid and are almost wholly reliant on wood fuel for domestic needs. Nearly two-thirds of Nigeria’s energy consumption derive from traditional burning of wood for fuel and as a consequence, Nigeria has been losing an average of
11 percent of its primary forests per year double the rate of the 1990s. Between 1990 and 2005, the country lost a staggering 79 percent of its old-growth forests. These figures give Nigeria the dubious distinction of having the highest deforestation rate of natural forest on the planet (Baker, 2008).

Gas flaring is a major source of greenhouse gases (GHG) contributing to global warming which could accelerate the problem of climatic change and harsh living conditions on earth, if not checked. Flaring releases carbon dioxide and methane, the two major harmful greenhouse gases (Orubu, Odusola, & Ehwarieme, 2004; Ismail & Umukoro, 2012).

Baker adds further that despite reductions, Nigeria is still rated as the world’s biggest gas flarer. Most of the gas in the Delta is produced during the process of oil extraction, otherwise known as associated petroleum gas (APG). The practice has been carried out for over 40 years, exposing Niger Delta communities to catastrophic livelihood (Baker, 2008).

Ismail and Umukoro, (2012) however note that APG flaring is completely prohibited in virtually all developed countries.

Buzcu-Guven and Harriss (2012) lend to what may be considered international best practice in clarifying that the United States ensures that on and offshore oil producers manage APG by safeguarding it is collated for power generation and re-injection using a well-established gas pipeline system. To this end it assuages high national demand for gas and saves the environment from the hazard of its emission.

Meanwhile, estimated annual financial loss to Nigeria due from gas flaring is about US $2.5 billion (Raimi, Towobola, & Madueke, 2013).

On yet another scale, conservative assumptions using World Bank information suggests that gas flaring from Bayelsa State alone would likely cause some 49 premature deaths, 4,960 respiratory illnesses among children and 120, asthma attacks annually and despite various rulings by the Nigerian authorities since 1984 all the major multinational oil companies who operate in Nigeria still flare gas (Baker, 2008).

On yet another scale, oil exploration has negatively affected the environment of the Niger Delta and, the Ogoni people in particular, leading to worsening socio-economic situation for the people. A manifestation of these negative impacts is the replacement of the traditional economy that was founded on fishing, farming and hunting for economic sustenance with a petrol-dollar economy that has led to the prevalence of poverty in the area (Human Rights Watch, 1999, p.202).

5. FINDINGS

To date, none of the expected emancipation from SAP conditions has been realised in over 30 decades of Nigeria’s adoption of the policies. The truth of the matter however, is that IMF conditionalities and the Third World leadership with whom they connive to impose loans are altogether violating United Nations’ convention on the right to life as millions of Nigerians continue to live within fringes as a result of the obnoxious policies of SAP.

CONCLUSION

The adversities brought about by SAP ultimately violate international conventions on rights to life. It is therefore, incumbent on civil society groups, nongovernmental organisations and concerned international organisations to intervene and redefine the terms of engagement between debtor nations and their creditors with a view to redressing the disproportionate incidence of external debt and its conditionalities on the civic population of Nigeria.

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