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RESEARCH ARTICLE

“THE IMPLICATION OF THE STRUCTURAL ADJUSTMENT POLICIES ON SOCIAL DEVELOPMENT IN NIGERIA”

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Abstract

How did Nigeria respond to the economic crisis it faced in the late 1980s due to its excessive over-reliance on 'rents' accrued from the 'petro-dollar'? A market characterized with so much volatility and uncertainties. In this context, this article seeks to address this question with the implementation of the Structural Adjustment Policy (SAP) as a response to confronting the crisis but also, as an avenue by Nigeria to restructure and revamp its ailing economy. Using extensive desk review, the article further examines how this SAP policy impacted on Nigeria vis-à-vis the paradox of economic development, the success of this policy as well as challenges. From its findings, the introduction of the SAP policy has not made any significant progress in addressing the economic crisis that eventually led to its establishment by the Nigerian government. This is because the policy failed to address the question of poverty, inequality, dearth economic development amongst other contending socio-political, and economic challenges in the country.

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Introduction:-

It has been observed by many commentators, pundits and scholars within the spectrum of academia that during the aftermath of World War 2 which climaxed the beginning of the era of bi-polarity and the Cold War period in which the two powerful blocs (United States of America and the Soviet Union) were involved in ideological tussle with each trying to dominate global system (Thorson and Lie, 2008). Consequently, with the collapse of the Soviet Union in the late 1980s which resulted with the triumph of capitalism centered and anchored on liberal oriented mantra eventually becoming the dominant ideology during that period. Another major epoch event during the late 1980s again, was the proliferation of neoliberal orthodoxy which tends to focus more on free market economy, trade liberalization, privatization, globalization and the spread of democratic principles and ideals in which the major institution or organs that served as harbingers of propagating this neoliberal values are the Bretton woods institutions of World Bank, International Monetary Fund and the General Agreement on Tariff and Trade which transformed into the World Trade Organization today.

During that period, the world witnessed series of economic crises which resulted and impacted negatively on most countries in the global capitalist system. As a consequence of this global crisis, most developing or third world states were the ones mostly hit by this debt crises. Thus, for them to be able to get away from this scourge and debt-trap,

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they have to imbibe this neoliberal ideas and also submit to the whims and caprices of this harbingers of neoliberal values anchored by the World Bank and IMF to be able to meet certain conditionalit(ies) before they can have access to loan facilities, save their ailing economies and also achieve social development. Therefore, most third world countries in Africa and Latin America availed themselves and adopted these structural adjustment policies in which Nigeria happened to be one.

It is in this light therefore, that this article will try to look at the implication of the structural adjustment policies anchored by the World Bank and IMF in Nigeria as it relates to social development specifically as it relates to the level poverty, income inequality, employment level, life expectancy, access to basic necessities of life, health, education and infrastructural development as it were since the period the country adopted this policy and now.

As an objective, this article will explore the impact of the Structural adjustment policies adopted by Nigeria as it relates to social development. In doing so, the article will consequently interrogate the following research questions as its framework of analysis, what does structural adjustment program entails? What are the impacts of this structural adjustment policies adopted by Nigeria as it relates to the idea of social development? Whether this Structural adjustment policies achieved their aims or not? What are some of the plausible factors or reasons why the policy either failed or succeeded in Nigeria as it were?

Theoretical Discussions:

As a theoretical framework in discussing the implication of the structural adjustment policies on the Nigerian state as it relates to the mantra of social-development, the paper will try to adopt the neoliberal theoretical approach within the social science and the discipline of political economy. This theoretical framework or approach according to Thorsen and Lie (2008), entails a theory which tries to revive the economic liberalism mantra which is premised on the idea that states ought to abstain from intervening in the economy and instead leave as much as possible up to individuals participating in free and self-regulating markets. Another meaning given to these neoliberal approach as captured by Thorne, (2010), quoting David Harvey (2005:2) when he said that that Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices...beyond these tasks that state should not venture. State interventions in the markets (once created) must be kept to a bare minimum (Harvey 2005: 2). Looking at the basic driven force of these neoliberal orthodoxy, this theoretical fits in to the topic in view because these structural adjustment policies or programmes been introduced to by these Bretton Woods institutions to third world economies were anchored on these theoretical stances serving as the plausible panacea to the economic challenges confronting Nigeria, and other third world countries.

Conceptual Clarifications:

Neoliberalism:

The Investopedia (2010), defined the term neoliberalism as an approach to politics and economics which is premised on the idea that the control of economic factors should shift from the public sector to the private sector through the process of formulating policies that will lead to freeing up the economy, removing certain trade restrictions and barriers, reducing fiscal spending, limiting subsidies and the reformulation of tax law, removing fixed exchange rates to floating exchange rates, limiting state protectionism and creating room for private acquisition and control of the economy through the process of privatization, commercialization and deregulation.

Structural Adjustment Programmes:

Structural Adjustment Programmes is defined as those neoliberal economic policies or reforms that emerged around the early 1980s introduced and imposed on third world or developing countries by the Bretton Woods institutions specifically World Bank and the International Monetary fund as a prerequisite and conditionalities for the receipt of loans and grants as a result of the effect of the economic and debt crises that has bedeviled them.

Social Development:

According to the International Institute of Social Studies Netherlands, the term social development entails the process of putting people at the center of development in every society which involves:

developmental process in the society needs to benefit the people not specifically the poor; a developmental process which will bring about change in social institutions that will lead to an all-inclusive society through the process of interaction in which social norms and values can equally be shared and learned as well.

A Brief Historical Background of the Nigerian State/Economy: From Early Independence Era to the Sap Regime:

Since Nigeria got its independence on October, 1st 1960, the Nigerian state and economy has witnessed some degree of growth, and advancement in so many sectors even though the agricultural sector seemed to be the mainstay of economic activity which has so many categories ranging from forestry, fishing, planting of crops, and livestock, other sectors such as transport, communication, tourism and recreational facilities, finance, insurance and the real estates seemed to be booming during that period in the sense that, and the impact was feasible in the social lives of its citizens as it were. The revenue the government accrued during that was quite commendable and encouraging for a country that just got out of the shackles of colonialism but however, according to Oyejide et al, (1985), with the discovery of crude oil and the unprecedented boom in the petro-dollar market, all other sectors of the Nigerian economy witnessed abandonment and neglect by the government which resulted into an unbalanced economy depending solely on oil for its sustainability. During that period, the attention of the government nosedived and the economy was concentrated solely on 'black-gold', the Nigerian state could not handle its rising population in which no matter how much revenue the government accrued from oil, it became very difficult for the government to handle and provide social services and engage in developmental projects that will lead to social development and improve the living conditions of its growing population which has far reaching implications if the government refuses to tackle it. This view was actually supported by Ake, (2002), when he said that the discovery of oil has been Nigeria's 'worst-nightmare' because other sectors that served as the engine-room for development of the economy during the post-independent era were abandoned and the government nosedived all its energy and resources in the down-stream sector, thus abandoning other key sectors of the such as agriculture, tourism, transport and communication and relying solely on oil, will not augur well for any nation that wants to develop and be a major player in the international political economy.

As a result of the volatility of the global oil market and also certain internal dysfunctions in the management of the Nigerian state by its leaders to channel the resources gained from the sale of oil into productive means that will bring about sustainable social development to the masses, the country was faced with serious economic challenges resulting to massive unemployment, growing rise of poverty, fall in the gross domestic product, low per-capita income, starvation, hunger, increase in infant mortality rate, fall in the standard of living of citizens, growing rise in crime and other social vices, worsening trade conditions and huge foreign debt that has suddenly became latent in the Nigerian society, that actually served as the genesis of the romance between Nigeria and World Bank and IMF Structural Adjustment Policies which was introduced by regime of General Ibrahim Babaginda in 1986 as a plausible panacea to the challenges which had confronted the Nigerian state.

Structural Adjustment Program in Nigeria: Historical Trajectory:

Just as earlier discussed when conceptualizing the term Structural Adjustment Programme to connote a set or series of economic policies which centered its ideas on neoliberal orthodoxy and introduced by the World Bank and International Monetary Fund and other International Financial Institutions to developing states and economies that were facing serious economic crises, debt overhang, fall in per-capita income, fiscal deficits, balance of payment and trade problems to open up and free up their economies so as to allow private ownership in the means of production and distribution of resources, reduce the influence of states in the management control of the economy, devaluation of national currencies, removal subsidies, and meet up certain conditions and requirements in order to access these loan facilities offered by these harbingers of Bretton Woods system (World Bank and IMF) which they believe will be the only solution to the economic challenges been witnessed by these developing economies.

Since the Nigerian state concentrated its energy on the downstream sector thereby neglecting certain key important sectors of the economy to waste and plummet, the economy faced series of economic crises and challenges which became more manifest during the civilian regime of AlhajiShehuShagari as a result of certain internal and external dynamics such as corruption, mismanagement of state resources, the volatile nature of the petro-dollar market which eventually led to the oil glut crises of the 1980s.

That period, marked the beginning of the economic crisis and the eventual negotiation by the government with the IMF and World Bank seeking for loan facilities tuning to \$2.2 billion in order to revamp the ailing national economy

before the regime was ousted in 1984. The administration of General Muhammad Buhari who overthrew the civilian regime of AlhajiShehuShagari also met a depleted economy and also sought to continue where his predecessor stopped in relation to the IMF loan facility but it appeared that the initial zest and optimism for rapprochement with the IMF was sadly misplaced, negotiations between the IMF and the Buhari government could not progress as smoothly as initially anticipated because of disagreement over the conditionalities that the lending institution attached to the loan facility were not favorable to the Nigerian state. Just as Olaniyi, (2013), captured the then minister of finance Dr. OnaolapoSoleye when he noted that “ IMF’s very stringent conditionalities included: a review and curtailment of public expenditures, reduction of government subsidies, classification of parastatals into economic and social categories, stoppage of non-statutory transfers such as loans to state governments, simplification and rationalization of tariff structure; review of interest rates, vigorous export promotion, relaxation of import restrictions and devaluation of the naira”. As result of these stringent conditionalities, no other person than the Head of State General Buhari who disproved this conditions when He insisted that at least three of the conditionalities which include: removal of petroleum subsidies, devaluation of the naira and relaxation of trade restrictions were totally unacceptable stating quite bluntly in an interview “that taking the IMF loan was politically suicidal and that we have realized the damage IMF loans have done to developing countries. None of the developing countries that have taken IMF loans have come out of it well. So if we are to go by historical indications, to take IMF loan on the terms they want us to, will be tantamount to virtually destroying our own country. Devaluation does not make sense to Nigerians at all”. During that period there was no progress that was actually made between Nigeria and the Bretton Woods institutions in relation to the IMF facility until the regime was overthrown in a palace coup in 1985. When General Buhari was overthrown, General Ibrahim BadamosiBabangida became the Head of State during that period, in which he inherited an economy that virtually remained comatose, debt service obligations had increased, credit-worthiness had dissipated and the country resorted to counter-trade to remain afloat. In his maiden national broadcast to the nation on assumption of power, General Babangdia promptly initiated a national debate on the advisability of taking the IMF loan which received series of oppositions mainly from the academia and trade unions but the regime suddenly instituted a ruthless economic restructuring in line with the IMF standard prescriptions for debt-ridden economies, and devalued the Naira through the instrumentality of the Second-Tier Foreign Exchange Market (SFEM) in 1986 which resulted in the removal of government involvement in the fixing of the value of the national currency. With a favourable standing with the IMF, the regime was able to re-negotiate debt rescheduling with the Paris Club of official creditors and other commercial banks in 1986 thus that eventually served as the beginning of Nigeria’s romance with the Bretton Woods institution and the subsequent adoption of the Structural Adjustment Policies.

Objectives of the structural adjustment policies:

The Structural Adjustment Programme since its adoption by Nigeria in 1986 it has the following objectives it desired to achieve which was succinctly observed by Sabo, (2012):

To restructure and diversify the production base of the economy in order to reduce dependence on the oil sector and on imports.

1. To achieve fiscal and balance of payment viability over the period.
2. To lay the basis for sustainable non-inflationary growth.
3. To reduce the dominance of unproductive investments in the public sector, improve that sectors efficiency and enhance the growth potential of the private sector.

The Structural Adjustment Policies introduced in Nigeria by the Babangida Administration has two basic components which are privatization and commercialization. The privatization component of SAP basically entails the process of transferring ownership and management of government-owned public enterprises to private management and control while the commercialization component has to do with process of restructuring and re-organizing state owned enterprises for profit making ventures. These two basic components of SAP were given the legal backing of Decree 25 of 1988 under National Council on Privatization. Even though the policy has this two basic components, in order to make sure that the policy has been fully and effectively implemented, the hitherto deadlock and disagreement over the conditionalities by the Buhari regime and IMF had to be resettled and finally the Babangida government had to dance to the whims and fancy of the Bretton Woods institutions by adopting these prescriptions in the following dimension:

1. The naira which is the national currency was devalued as prescribed by the IMF.
2. Nigeria embarked on serious trade liberalization policies.

3. The Government removed subsidies on essential commodities especially oil and other down- stream commodities.
4. The national economy was deregulated.

Implication of the Sap Policy and Social Development Nexus:

This article, primarily seeks to examine the impact or implication of this structural adjustment policies adopted by Nigeria and relate it with the paradox of social development. Before looking at this, understanding the concept or idea behind social development will enable me to have a clearer picture of the implication of these policies and relating it to social development.

Many scholars within the spectrum of academia, offer various meanings as to what development actually entails. Whether from the liberal or critical traditions.

The online business dictionary, defines the term development as the process of economic and social transformation that is based on complex cultural and environmental factors and their interactions. While Rodney, (2005), looked at the concept of development as multidimensional process in which at the level of the individual, development entails increased skill and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being. While development at the social level referees to the process of increasing capacity to regulate both the internal and external relationships.

Looking at this two definitions, we can succinctly say that development is a process of both social, economic, cultural, political, and human transformation of human society which is geared towards improving the living conditions of the people in the society as it were. In order to have a more understanding of social development which is centered on the impact of transformation in the living conditions of individuals in the society, one scholar that has really looked at the paradigm of development and relating it to the social context was, Dudley Seers, when he observed that for us to actually understand whether a society is developing or not we must be able to answer this three key questions which are:

1. What is happening to poverty?
2. What is happening to unemployment?
3. What is happening to inequality?

To him, unless this three questions are answered, we cannot fully understand what development actually means because development must meet this basic irreducible minimum of reducing poverty, reducing inequality and reducing unemployment in the society.

Using Dudley's argument, we can now relate this thesis to the Structural adjustment policies adopted by Nigeria if it has actually answered the challenges and questions of poverty, unemployment and inequality in Nigeria because, they all constitute what we know as social development indicators of every society.

SAP and the poverty question in Nigeria:

Since the introduction of SAP policies in Nigeria has it been able to solve the crises of poverty in Nigeria? Many pundits observed that theoretically, the Structural Adjustment Policies or programs are really good in bringing about socio-economic development to countries grappling with economic crises but in reality the theory has not been able to achieve its desired objective. Otu et al, (2011), observed that a country like Nigeria in spite of its enormous wealth and resources it is still grappling with the challenge of poverty even when it adopted the IMF development driven Structural Adjustment Policies, still the country could not solve its poverty crises this could be due to certain internal and external factors. This perception was equally shared by the Onuba, (2012), quoting the Statistician General of Nigeria, Dr. Yemi Kale when presenting the 2012 HDI Report to press men that that in a population of over 160million, over 112.519million Nigerians live in relative poverty conditions in which using both the relative poverty index, the absolute measurement index and the subjective poverty index measurement it clearly showed the nation's poverty rate at 99.284 million which counts for over 69.9% , while the dollar per-day puts the poverty rate at 60.9% and the subjective poverty level at 93.9% in which the statistician general noted that it still remains a paradox, however that despite the fact that the Nigerian economy is growing, the proportion of Nigerians living in poverty is increasing every.

Therefore, with this alarming statistics and data, one will say that since Structural Adjustment was first of all aimed at helping developing or third world economies to improve, develop and restructure their economies from financial crises, since Nigeria adopted this policy, the country has not been able to translate its economic growth to a level that will improve the social well-being of its citizens especially as it relates to the poverty nexus.

SAP and Inequality Nexus:

One cardinal objective the Structural adjustment policy seeks to achieve is the ability to bridge the gap between the rich and the poor, the have(s) and the have-(not) and also bring about some degree of equality between nations, and individuals in the society. But whether or not SAP has been able to achieve this goal of bridging the gap between the rich and poor in Nigeria leaves much to be desired. It is in this light that Aigbokhan, (2002), observed that the Nigerian economy experienced some degree of decline in the 1980s which actually made the state to embark on Structural adjustment policies in order to revamp the ailing economy, but even with the experience of economic growth today, inequality continue to be on the increase. Therefore, this paradigm of inequality been witnessed by the Nigerian stat was as a result of the lack of equitable distribution and allocation of resources especially the revenue accrued from oil.

With all this one will be apt to say that the inequality that subsists in the accessibility to basic human amenities in Nigeria today seems to be clearly feasible and therefore, the objective of Sap to be able to bring about equality in concert with resource control and utility maximization seems to be a mirage.

SAP and Employment Nexus:

Looking at the Structural Adjustment Policies which advocated for deregulation of the economy, diversification of the economy, privatization, non-intervention of the state in the management of the economy, and encouraging foreign direct investments which they believe will bring about development, expand the economy and also create employment opportunities for citizens because they will be incorporated into the various productive forces of the economy which will bring about more efficiency and also help them in improving their social condition. But this happened to be mere theory rather than praxis because most countries that have actually adopted this Bretton Woods induced policies are seriously grappling with growing rise of unemployment in the various sectors of their economy which was totally against the prescription and objective the policy aimed to achieve.

Scholars like Anyanwu, (1992), Ogbimi, (1999), &Ugo, (2010), all attributed the growing rise of unemployment in Nigeria today to the ill -fated structural adjustment policy because none of the policies objectives was achieved in Nigeria, but rather it brought about series of hardship, unemployment, inflation, corruption, poverty, inequality, social unrest, further underdevelopment and a fall in the standard of living on Nigerians today. In sum SAP policy was doomed to fail because the policy itself was not designed for third world economies.

Conclusion:-

This paper first of all tried to examine the implication or the impact of the Structural Adjustment policies introduced by the Nigerian government in order to revamp its ailing economy in 1986 which had witnessed series of socio-political and economic challenges as it were and relating this policies with the paradox of social development which entailed a form of development or growth that is centered on the well -being of citizens.

From its analysis, the study observed that despite the fact that Nigeria is blessed in both human, natural and material resources, and since its adoption of the Bretton Woods institution led structural adjustment policy, the social conditions of its citizens tends to plummet and decline in the sense that the policy itself has certain internal and external contradictions which brought about increase in poverty rate, unemployment, corruption, fall in the standard of living of individuals, inequality, lack of basic essential services etc. even though some of the problems witnessed by Nigeria today is not totally as a result of the SAP policy, the policy in itself aided and created avenues for some of this social malaise to continue to manifest itself till today.

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