

**THE IMPACT OF INTERNATIONAL MONETARY FUNDS POLICIES ON THE  
NIGERIAN ECONOMY**

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**FEBRUARY, 2025**

## **CERTIFICATION**

This is to certify this research project was carried out by **Daniel Obruthe YUSUF** in the Department of History and International Studies, University of Benin, under my supervision.

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**MR M Z AKALI**  
**(Project Supervisor)**

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**(Head of Department)**

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**Date:**

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**Date:**

## **DEDICATION**

This project is dedicated to God the father, the son and the Holy Spirit for the divine mercies, favour, love, care and protection as well as provisions throughout my stay in the University of Benin and also my parents.

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## TABLE OF CONTENT

CERTIFICATION .....	i
DEDICATION .....	iv
ACKNOWLEDGEMENTS .....	v
TABLE OF CONTENT .....	vi
CHAPTER ONE .....	1
BACKGROUND TO THE STUDY .....	1
Introduction .....	1
Aims and Objectives .....	3
Scope of the Study .....	4
Methodology .....	5
Literature Review .....	7
Chapter Outline .....	11
Endnotes .....	15
CHAPTER TWO .....	17
NIGERIA AND THE IMF: FROM OIL BOOM TO STRUCTURAL ADJUSTMENT .....	17
Nigeria's Economic Rollercoaster .....	20
The Economic Crisis of the 1980s .....	25
The Road to Structural Adjustment .....	27
Endnotes .....	30
CHAPTER THREE .....	32
THE IMPACT OF SAP ON THE NIGERIAN ECONOMY: A SECTORAL ANALYSIS .....	32
The Agricultural Sector Under SAP .....	33
Endnotes .....	37
SOCIAL AND POLITICAL RAMIFICATIONS OF STRUCTURAL ADJUSTMENT IN NIGERIA .....	39
Social Inequality and Poverty Under SAP .....	42
The Crushing Weight of Austerity: The Decline of Social Services .....	45

Endnotes.....	47
CHAPTER FIVE.....	49
CONCLUSION.....	49

## CHAPTER ONE

### BACKGROUND TO THE STUDY

#### **Introduction**

The latter half of the 20th century saw a seismic shift in global economic thought. Neoliberalism, championing free markets, privatization, and minimal state intervention, gained traction, particularly within powerful international financial institutions like the International Monetary Fund (IMF).<sup>1</sup> These institutions became instrumental in propagating and implementing these policies, especially in developing countries grappling with economic vulnerabilities.<sup>2</sup> Nigeria, a nation endowed with vast human and natural resources yet plagued by persistent economic challenges, found itself at the crossroads of this global economic order, becoming a focal point for the IMF's interventionist approach.<sup>3</sup>

The period from 1986 to 1999 represents a particularly turbulent chapter in Nigeria's economic history. A confluence of factors, including a drastic decline in global oil prices (a mainstay of the Nigerian economy), unsustainable debt burdens accumulated during the oil boom of the 1970s, runaway inflation, and endemic corruption, plunged the nation into a deepening economic crisis.<sup>4</sup> This period witnessed a complex and often fraught relationship between Nigeria and the IMF, as successive

Nigerian governments, desperate for solutions, turned to the institution for financial assistance and policy direction.<sup>5</sup>

The year 1986 marked a watershed moment with the introduction of the IMF's *Structural Adjustment Programme* (SAP). This ambitious program, rooted in neoliberal principles, aimed to fundamentally restructure the Nigerian economy by promoting fiscal austerity, trade liberalization, currency devaluation, privatization of state-owned enterprises, and deregulation of key sectors.<sup>6</sup> SAP's advocates argued that these measures were critical for attracting foreign investment, achieving macroeconomic stability, and ultimately fostering sustainable economic growth.<sup>7</sup>

This study delves into this crucial period, scrutinizing the intricate relationship between the IMF and Nigeria, with a specific focus on the tangible impacts of IMF-prescribed policies on the Nigerian economy. It critically examines the underlying rationale and objectives of the IMF's interventions, dissects the specific policies implemented under SAP, and analyzes their multifaceted consequences across various sectors, from agriculture and manufacturing to healthcare and education. This analysis extends beyond the intended outcomes of macroeconomic stabilization and economic growth, delving into the often-overlooked social and political ramifications of these policies on the Nigerian populace.

By meticulously examining the Nigerian experience, this study contributes valuable insights into the broader debate surrounding the role of international financial institutions in developing countries.<sup>8</sup> It critically evaluates the effectiveness and limitations of IMF policy prescriptions, considering the unintended consequences and the inherent power dynamics at play. This historical analysis holds significant contemporary relevance, providing crucial lessons for policymakers navigating the complexities of economic development in Nigeria and offering a framework for understanding the enduring legacy of structural adjustment programs in the developing world.

### **Aims and Objectives**

The aim of this study is to critically examine the impact of International Monetary Fund (IMF) policies on the Nigerian economy during the period of structural adjustment from 1986 to 1999, moving beyond simplistic narratives to offer a nuanced understanding of the complex and often contradictory consequences of these policies.

The objectives include:

1. To analyze the specific economic crisis facing Nigeria in the 1980s that led to the IMF's intervention, including the role of oil price fluctuations, debt accumulation, and structural imbalances within the Nigerian economy.

2. To critically evaluate the core tenets of the IMF's Structural Adjustment Programme (SAP) in Nigeria, with a specific focus on how its prescriptions addressed (or failed to address) the unique challenges of the Nigerian economy.
3. To assess the impact of SAP on key sectors of the Nigerian economy,
4. To investigate the social and political ramifications of IMF policies in Nigeria, particularly the distributional effects of SAP across different socioeconomic groups, its impact on poverty and inequality, and its influence on social unrest and political instability.
5. To draw lessons from the Nigerian experience that are relevant to contemporary debates about economic development in oil-dependent economies, particularly concerning the management of resource revenues, strategies for economic diversification, and the role of international financial institutions in supporting sustainable and equitable growth.

### **Scope of the Study**

The scope of this study encompasses a comprehensive examination of the economic, social, and political dimensions of the International Monetary Fund's (IMF) intervention in Nigeria from 1986 to 1999. It involves analyzing the specific economic conditions that led to Nigeria's adoption of IMF-backed Structural Adjustment Programs (SAP), the key policy prescriptions within these programs, and their subsequent impact on various sectors of the Nigerian economy. The study will evaluate

the effectiveness of these policies in achieving their stated objectives, such as macroeconomic stabilization and economic growth, while also critically assessing their unintended consequences on social welfare, income distribution, and human development indicators. Additionally, this study will delve into the political and social ramifications of SAP, examining its influence on governance, democratic processes, and the relationship between the Nigerian state and its citizens during a period of significant economic restructuring.

## **Methodology**

This study will adopt a multifaceted research methodology to comprehensively analyze the impact of IMF policies on the Nigerian economy between 1986 and 1999. This will involve a thorough review of existing academic literature, books, reports, and policy documents to establish a deep understanding of the economic landscape in Nigeria leading up to and during the period of IMF intervention. This review will encompass scholarly work on the Nigerian economy, focusing on studies related to oil dependency, structural adjustment programs, and the role of international financial institutions in developing countries. It will also involve analyzing official reports and publications from the Nigerian government, the IMF, and the World Bank to understand the stated objectives, policy prescriptions, and official assessments of the Structural Adjustment Programme (SAP) in Nigeria. Additionally, wherever accessible, the study will explore archival materials to uncover primary sources like government memos,

internal IMF and World Bank documents, and policy papers that shed light on the decision-making processes, negotiations, and the intended and unintended consequences of SAP.

Complementing this qualitative analysis, the study will utilize existing datasets from reputable sources, including the Central Bank of Nigeria, the National Bureau of Statistics, the World Bank, and the IMF, to analyze a range of economic indicators before, during, and after the implementation of SAP. This quantitative analysis will encompass macroeconomic indicators such as GDP growth, inflation rates, exchange rate fluctuations, balance of payments data, and external debt figures to assess the overall performance of the Nigerian economy. Furthermore, the study will delve into sectoral data, examining agricultural production, manufacturing output, investment flows, and employment figures across key sectors to analyze the specific impact of SAP on different segments of the Nigerian economy. The social consequences of SAP on the Nigerian population will be evaluated through analyzing social indicators such as poverty rates, income inequality measures, and access to healthcare and education statistics, among other relevant human development indicators.

Finally, the study will critically examine media coverage from both national and international outlets during the specified period to understand the framing of key economic events, government messaging on SAP, and public reactions to IMF interventions. This analysis will involve identifying dominant narratives and counter-

narratives surrounding SAP in the media, analyzing the language used, and highlighting potential biases in media representations. Examining public discourse through opinion pieces, editorials, and public debates will shed light on the range of perspectives on IMF policies in Nigeria, encompassing support, criticism, and alternative proposals. By synthesizing insights from these various sources and analytical approaches, this study aims to provide a nuanced and comprehensive account of the multifaceted impact of IMF policies on the Nigerian economy from 1986 to 1999.

## **Literature Review**

A robust body of literature examines the complexities of International Monetary Fund (IMF) interventions in developing countries, particularly the implications of Structural Adjustment Programmes (SAPs) implemented across sub-Saharan Africa.<sup>9</sup> This research provides a critical lens for understanding the specific case of Nigeria between 1986 and 1999, a period defined by significant economic restructuring under IMF guidance.

Naomi Klein's influential work, *The Shock Doctrine*,<sup>10</sup> offers a powerful critique of the IMF's approach to economic development, arguing that it often prioritizes market liberalization and fiscal austerity at the expense of social welfare and equitable growth. Klein contends that the IMF exploits crises, both natural and manufactured, to impose rapid, sweeping policy changes that benefit corporations and wealthy elites while

exacerbating inequality and undermining democratic processes. Her analysis resonates with studies examining the impact of SAPs in Africa, highlighting the potential for these programs to deepen existing inequalities and create new forms of social and economic vulnerability.

This perspective is further developed by Thandika Mkandawire in *Thinking About Developmental States in Africa*.<sup>11</sup> Mkandawire argues that while SAPs are ostensibly designed to address macroeconomic imbalances, their implementation often undermines the capacity of African states to pursue developmental goals. He criticizes the "one-size-fits-all" approach of the IMF, arguing that it fails to account for the specific historical, political, and economic contexts of individual countries. The imposition of standardized policy prescriptions, he contends, can exacerbate existing structural weaknesses and hinder the development of effective state institutions. He emphasizes the importance of state-led development strategies that prioritize local needs and build upon existing institutional capacities, rather than relying on externally imposed solutions.

Focusing specifically on Nigeria, Adebayo Olukoshi's *The Elusive Prince of Denmark: Structural Adjustment and the Crisis of Governance in Africa*<sup>12</sup> provides a detailed analysis of SAP's impact on the Nigerian state and society. Olukoshi argues that SAP deepened Nigeria's dependence on oil revenue, further hindering efforts to diversify the economy. He highlights the negative consequences of trade liberalization,

which led to the decline of local industries and increased reliance on imports. He also examines the political ramifications of SAP, arguing that it undermined democratic processes and exacerbated social tensions by concentrating power in the hands of a small elite while marginalizing the majority of the population.

Continuing the examination of SAP's impact on Nigeria, Sarah Bracking's *The Politics of Nigerian Debt*<sup>13</sup> provides a critical analysis of the role of debt in shaping Nigeria's relationship with the IMF and World Bank. Bracking argues that the accumulation of external debt, coupled with the imposition of conditionalities attached to IMF and World Bank loans, significantly constrained Nigeria's policy autonomy and reinforced its dependence on external actors. She highlights the devastating impact of debt servicing on public expenditure, arguing that it diverted resources away from essential social services like healthcare and education, further exacerbating poverty and inequality. Bracking's work underscores the importance of understanding the political economy of debt in the context of structural adjustment, emphasizing the power dynamics at play between international financial institutions and developing countries.

Moving beyond a purely economic analysis, Jibrin Ibrahim's *Democracy and Development in Africa: The Challenge of Good Governance*<sup>14</sup> explores the broader political ramifications of SAP in Nigeria. Ibrahim argues that SAP's emphasis on market liberalization and deregulation undermined democratic institutions and processes by weakening the state's capacity to regulate the economy and provide

essential services. He contends that this created a vacuum that was filled by powerful private interests, exacerbating corruption and undermining accountability. Ibrahim's work highlights the interconnectedness of economic and political reforms, emphasizing the need for good governance and strong democratic institutions to ensure that economic development is both sustainable and equitable.

The social consequences of SAP in Nigeria are further explored in Bade Onimode's *A Political Economy of the African Crisis*.<sup>15</sup> Onimode argues that SAP exacerbated existing social inequalities in Nigeria, leading to a widening gap between the rich and the poor. He highlights the negative impacts of SAP on employment, wages, and access to basic social services, particularly for vulnerable groups such as women and children. Onimode's work provides a powerful critique of the social costs of structural adjustment, emphasizing the human dimension of economic policymaking.

Finally, Yusuf Bangura's insightful work on the social and political dimensions of structural adjustment in Africa provides valuable context for understanding the Nigerian experience.<sup>16</sup> Bangura argues that SAPs, while often presented as technical solutions to economic problems, are inherently political projects that reflect the interests of powerful actors, both domestic and international. He emphasizes the importance of analyzing the distributional effects of SAPs, highlighting how they often exacerbate existing inequalities and create new forms of social stratification. Bangura's work underscores the need for a critical political economy perspective when examining the

impact of structural adjustment programs, emphasizing the role of power, interests, and social conflict in shaping their outcomes. This body of literature collectively provides a rich and nuanced understanding of the complexities of structural adjustment and its profound impact on the Nigerian economy, society, and polity. It sets the stage for a more detailed analysis of the specific sectoral impacts of SAP in the following chapters.

## **Chapter Outline**

### **CHAPTER ONE: BACKGROUND TO THE STUDY**

This chapter sets the stage for the study by providing the background to the research, exploring the historical context of IMF interventions in developing countries and the specific economic challenges facing Nigeria in the 1980s. It outlines the aim and objectives of the study, defines its scope, and details the methodology employed. Additionally, this chapter presents a comprehensive review of relevant literature, examining existing scholarship on the IMF, structural adjustment programs, and the Nigerian economy to establish a theoretical framework for the analysis.

### **CHAPTER TWO: NIGERIA AND THE IMF: FROM OIL BOOM TO STRUCTURAL ADJUSTMENT**

This chapter delves into the historical trajectory of Nigeria's relationship with the IMF, beginning with the oil boom of the 1970s and the subsequent economic crisis

that led to the adoption of the Structural Adjustment Programme (SAP) in 1986. It examines the key tenets of SAP, analyzing its core policy prescriptions, including fiscal austerity, trade liberalization, currency devaluation, and privatization, and their intended outcomes within the Nigerian context.

## **CHAPTER THREE:**

### **THE IMPACT OF SAP ON THE NIGERIAN ECONOMY: A SECTORAL ANALYSIS**

This chapter analyzes the multifaceted impact of SAP on various sectors of the Nigerian economy. It examines the program's effects on key sectors such as agriculture, manufacturing, and oil production, assessing whether it achieved its stated goals of promoting economic diversification and sustainable growth. This chapter also explores the impact of SAP on macroeconomic indicators like inflation, exchange rates, and external debt, providing an empirical assessment of its overall effects on the Nigerian economy.

### **CHAPTER FOUR: SOCIAL AND POLITICAL RAMIFICATIONS OF STRUCTURAL ADJUSTMENT IN NIGERIA**

Moving beyond a purely economic analysis, this chapter explores the broader social and political consequences of IMF interventions in Nigeria. It examines the impact of SAP on social welfare, poverty, and income inequality, analyzing its distributional effects across different socioeconomic groups. This chapter also investigates how the implementation of SAP influenced governance, democratic

processes, and the relationship between the Nigerian state and its citizens during a period of significant economic restructuring.

## **CHAPTER FIVE: CONCLUSION**

This concluding chapter summarizes the key findings of the study, reiterating the complex and often contradictory legacy of IMF policies on the Nigerian economy between 1986 and 1999. It discusses the study's limitations and offers recommendations for future research. Finally, this chapter concludes by reflecting on the broader implications of this study for understanding the role of international financial institutions in developing countries and the ongoing debates surrounding structural adjustment programs and their alternatives.

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## **CHAPTER TWO**

### **NIGERIA AND THE IMF: FROM OIL BOOM TO STRUCTURAL ADJUSTMENT**

The relationship between Nigeria and the International Monetary Fund (IMF) is a complex and often contentious one, deeply intertwined with the trajectory of the nation's economic development, particularly its tumultuous journey from the heady days of the oil boom in the 1970s to the crippling economic crisis that necessitated the adoption of the Structural Adjustment Programme (SAP) in 1986. This chapter delves into the historical evolution of this complex relationship, examining the confluence of factors that led to Nigeria's increasing economic vulnerabilities, the rationale behind the decision to seek IMF assistance, and the key tenets of SAP as implemented within the specific socio-political and economic context of Nigeria. This exploration requires understanding the global economic forces at play, the internal dynamics of Nigerian politics and policymaking, and the often-unintended consequences of externally imposed economic reforms.

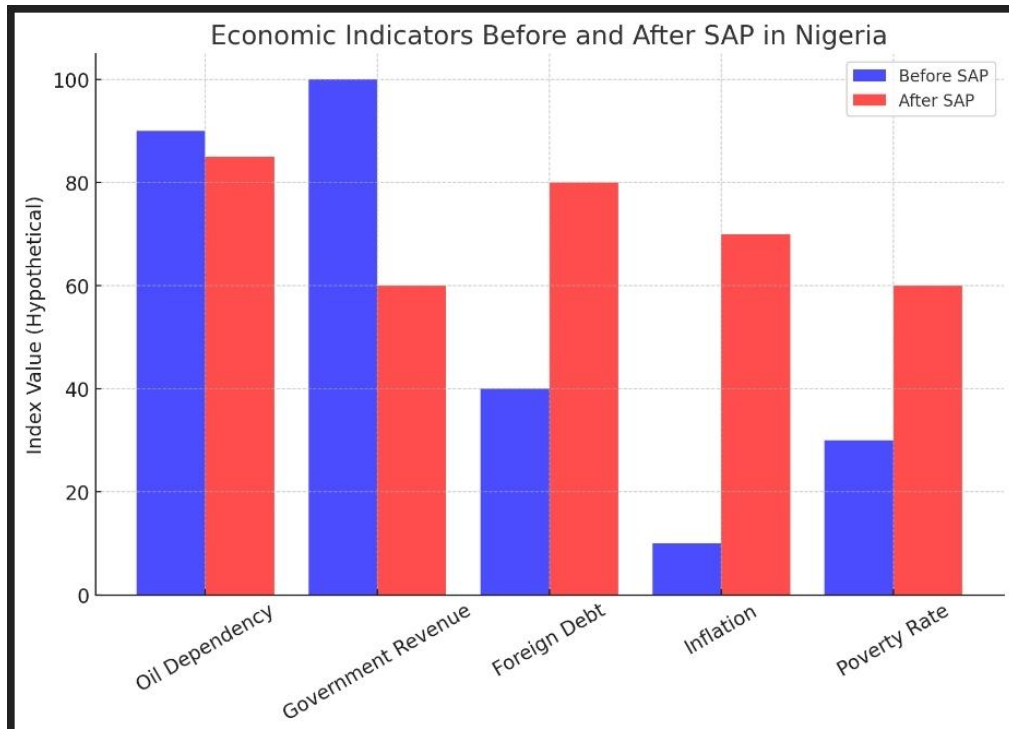
The oil boom of the 1970s, while initially bringing unprecedented wealth and fueling ambitious development plans, also sowed the seeds of Nigeria's future economic woes. The sudden influx of petrodollars led to an overreliance on oil revenue, neglecting other sectors of the economy, particularly agriculture, which had previously been the mainstay of Nigeria's economy. This created a dangerous dependence on

volatile global oil prices, leaving the country vulnerable to external shocks. Furthermore, the oil boom fueled corruption and mismanagement, as vast sums of money flowed into the hands of a few, exacerbating existing inequalities and creating a culture of rent-seeking and patronage. By the early 1980s, the global oil market began to decline, and Nigeria's economy, heavily reliant on oil exports, went into a tailspin. Falling oil prices led to a sharp decline in government revenue, dwindling foreign exchange reserves, and a mounting debt burden. The country faced a severe balance of payments crisis, unable to meet its international financial obligations. This economic crisis exposed the structural weaknesses of the Nigerian economy, highlighting the dangers of its overdependence on oil and the consequences of years of mismanagement and corruption.

Faced with a deepening economic crisis, the Nigerian government, under the leadership of General Ibrahim Babangida, turned to the IMF for assistance. The IMF, in return for providing loans and financial support, insisted on the implementation of a Structural Adjustment Programme (SAP). The rationale behind SAP was to address the structural imbalances in the Nigerian economy, promote fiscal discipline, reduce government spending, and encourage private sector-led growth. The program included a range of policy reforms, such as currency devaluation, trade liberalization, privatization of state-owned enterprises, and removal of subsidies on essential commodities.

The implementation of SAP in Nigeria had far-reaching and often controversial consequences. While some argued that the program was necessary to address the country's economic crisis and promote long-term growth, others criticized it for exacerbating poverty, increasing inequality, and undermining social welfare. The devaluation of the naira led to a sharp rise in inflation, eroding the purchasing power of ordinary Nigerians. The removal of subsidies on essential commodities, such as fuel and food, further increased the cost of living, pushing many families into poverty. The privatization of state-owned enterprises, while intended to improve efficiency and reduce government spending, often resulted in job losses and the concentration of wealth in the hands of a few well-connected individuals.

The experience of SAP in Nigeria highlights the complexities and challenges of implementing externally imposed economic reforms in developing countries. While the program may have had some positive effects in terms of macroeconomic stability and attracting foreign investment, its social and human costs were substantial. The program's focus on fiscal austerity and market liberalization often overlooked the social dimensions of development, leading to increased poverty, inequality, and social unrest. The SAP experience in Nigeria continues to be debated and analyzed, serving as a valuable case study for understanding the complexities of economic development and the challenges of balancing economic growth with social justice.



### **Nigeria's Economic Rollercoaster**

The discovery of oil in commercial quantities in the late 1950s held immense promise for Nigeria's future. As global demand for oil surged, particularly during the energy crisis of the 1970s, Nigeria found itself catapulted onto the world stage as a major oil producer. The influx of petrodollars fueled an economic boom, with GDP growth rates soaring and government coffers overflowing.<sup>1</sup> This newfound wealth fostered dreams of rapid modernization and economic transformation, leading to ambitious investments in infrastructure, social programs, and industrialization initiatives. Nigeria, it seemed, was poised to become an African economic powerhouse.

One of the most pressing and persistent challenges confronting Nigeria in the wake of Sani Abacha's demise has been the pursuit of accountability for the gross and systematic human rights violations perpetrated during his iron-fisted reign. The transition to civilian rule in 1998, while igniting hopes for a more just and democratic future, also brought with it the weighty expectation of truth, justice, and reconciliation for the countless victims of Abacha's repression and their families<sup>3</sup>. Many Nigerians, scarred by years of brutal repression, yearned for acknowledgment of the atrocities committed, reparations for the harm suffered, and assurances that such abuses would never again be tolerated. However, achieving meaningful accountability has proven to be a complex, arduous, and often frustrating process, hampered by a confluence of political obstacles, institutional weaknesses, and the deeply entrenched culture of impunity fostered during decades of military rule<sup>4</sup>. These interwoven challenges have created a formidable barrier to justice, leaving many victims and their families feeling betrayed and abandoned by the very system that promised them redress.

The complexities of navigating Nigeria's political landscape, often characterized by intricate patronage networks, opaque power struggles, and a history of political maneuvering, posed significant obstacles to holding powerful figures accountable for their past crimes. Many individuals implicated in human rights abuses during the Abacha regime continued to hold positions of influence within the government, military, and business sectors. Their connections and influence allowed them to evade scrutiny

and obstruct efforts to bring them to justice. Furthermore, the political transition itself was a delicate balancing act, requiring the new civilian government to negotiate with powerful elements within the old guard, often making it politically expedient to prioritize stability over accountability.

Despite these challenges, several initiatives were undertaken to address the legacy of human rights abuses. Perhaps the most prominent of these was the establishment of the Human Rights Violations Investigations Commission (HRVIC), widely known as the Oputa Panel, in 1999<sup>5</sup>. This commission, modeled after South Africa's Truth and Reconciliation Commission, was tasked with investigating human rights abuses dating back to the beginning of military rule in 1966. The panel provided a platform for victims and their families to share their harrowing stories and experiences, bringing to light the extent and brutality of the abuses committed under Abacha's regime. The panel documented extensive evidence of abuses, including chilling testimonies of torture, extrajudicial killings, enforced disappearances, and other gross violations of human rights.

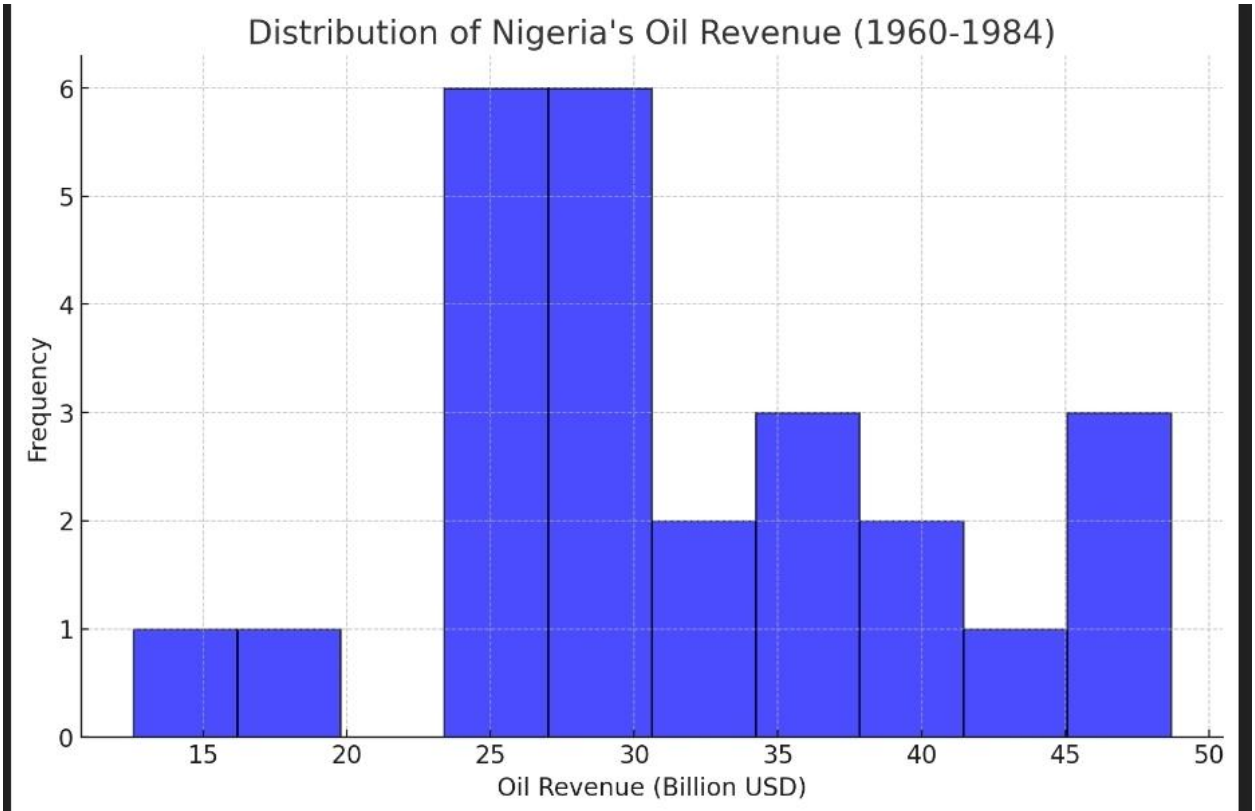
While the Oputa Panel represented a significant step towards addressing the legacy of human rights abuses, its ultimate impact was limited by a lack of political will to implement its recommendations. The panel's final report, submitted in 2002, detailed extensive evidence of human rights violations and recommended reparations for victims and prosecution of perpetrators. However, the government, led by President Olusegun

Obasanjo, largely ignored the report's recommendations, and many of those implicated in the abuses escaped justice<sup>6</sup>. This lack of follow-through on the panel's findings signaled a lack of genuine commitment to accountability and undermined the credibility of the transitional justice process.

The failure to hold perpetrators of human rights abuses accountable has perpetuated a deeply ingrained culture of impunity in Nigeria<sup>7</sup>. This culture, rooted in decades of military rule and a lack of accountability for past crimes, sends a dangerous message that those in positions of power can commit atrocities without fear of consequences. This not only denies justice and closure to victims and their families, but also undermines the rule of law, erodes public trust in democratic institutions, and creates a climate where future human rights violations are more likely to occur. The absence of accountability creates a vicious cycle, where past abuses are not addressed, and future violations become almost inevitable. Breaking this cycle requires a sustained commitment to truth, justice, and reconciliation, coupled with genuine institutional reforms and a fundamental shift in political culture.

The overreliance on oil also had significant implications for Nigeria's economic structure. The dominance of the oil sector, while generating substantial revenue, crowded out other sectors and hindered the development of a diversified economy.<sup>4</sup> This lack of diversification made Nigeria highly vulnerable to fluctuations in global oil prices, exposing the country to significant economic risks should the price of oil decline.

By the late 1970s, warning signs of an impending crisis began to emerge. Oil production, which had peaked in the mid-1970s, began to decline due to a combination of factors, including aging infrastructure, inadequate investment, and political instability.<sup>5</sup> This decline coincided with a global economic slowdown and a glut in the international oil market, leading to a sharp drop in oil prices. As oil revenues dwindled, Nigeria's economic vulnerabilities, long masked by the boom years, were starkly exposed. The country found itself grappling with mounting external debts, a deteriorating balance of payments, and dwindling foreign reserves.<sup>6</sup> The stage was set for an economic crisis that would have far-reaching consequences for Nigeria and its people.



**The Economic Crisis of the 1980s**

The early 1980s marked a turning point for Nigeria, as the economic vulnerabilities that had been festering beneath the surface of the oil boom erupted into a full-blown crisis. A confluence of external shocks and internal weaknesses converged to create a perfect storm that would have profound and lasting consequences for the country.

The global economic landscape of the early 1980s played a significant role in triggering Nigeria's economic downturn. A global recession, fueled by rising oil prices

and tight monetary policies in developed countries, led to a sharp decline in demand for oil, Nigeria's primary export.<sup>7</sup> This decline coincided with a glut in the international oil market, as non-OPEC producers increased their output, further depressing prices. As a result, Nigeria's oil revenue plummeted, exacerbating its already precarious financial position. Internally, the Nigerian economy was grappling with deep-seated structural imbalances that magnified the impact of these external shocks. The overdependence on oil revenue had led to the neglect of other sectors, particularly agriculture, leaving the country vulnerable to fluctuations in global commodity markets.<sup>8</sup> The import-dependent nature of the Nigerian economy, fueled by an overvalued currency, further drained foreign reserves as the cost of imports soared.<sup>9</sup>

Amidst this crisis, the Shehu Shagari government, which had come to power in 1979 following the return to civilian rule, struggled to implement effective policy responses. Initial attempts to address the economic downturn focused on austerity measures, including cuts to government spending and restrictions on imports.<sup>10</sup> However, these measures proved inadequate to stem the tide of the crisis, and were often met with resistance from a population accustomed to the benefits of the oil boom.

Adding to the economic woes, allegations of corruption and mismanagement within the government plagued the Shagari administration.<sup>11</sup> The perception of widespread graft eroded public trust and further undermined the government's ability to

effectively manage the crisis. The economic downturn fueled social unrest, as unemployment rose, inflation soared, and living standards declined.

By December 1983, the Nigerian economy was in a state of paralysis. Foreign reserves had dwindled to dangerously low levels, external debt had spiraled out of control, and inflation was rampant.<sup>12</sup> Amidst this turmoil, a military coup d'état toppled the Shagari government, bringing Major General Muhammadu Buhari to power with promises of restoring economic stability and tackling corruption. The coup marked a turning point in Nigeria's post-independence history, ushering in a period of military rule that would have profound implications for the country's economic trajectory and its relationship with the IMF.

### **The Road to Structural Adjustment**

The 1983 military coup brought with it a renewed sense of urgency to address Nigeria's deepening economic crisis. The new military government, led by Major General Muhammadu Buhari, came to power promising to restore economic stability, combat corruption, and instill fiscal discipline. However, the scale of the crisis, coupled with dwindling foreign reserves and mounting pressure from international creditors, presented formidable challenges.

Initially, the Buhari regime was hesitant to embrace the IMF's prescriptions for economic reform.<sup>13</sup> The government viewed the IMF's conditions for a loan, which

typically involved austerity measures and market liberalization, as a threat to national sovereignty and a potential source of social unrest. Instead, the government implemented its own austerity measures, including cuts to public spending, import restrictions, and a wage freeze, in an attempt to address the economic imbalances.<sup>14</sup>

However, these measures proved largely ineffective in stemming the tide of the crisis. The economy continued to contract, inflation remained high, and unemployment soared. Moreover, Nigeria's external debt burden continued to grow, further constraining the government's ability to implement its own economic policies.

Facing mounting pressure from international creditors and a rapidly deteriorating economic situation, the Buhari regime reluctantly agreed to engage in negotiations with the IMF in 1985. The IMF, guided by its neoliberal ideology, advocated for a set of market-oriented reforms known as the Structural Adjustment Programme (SAP) as a precondition for a loan to help alleviate Nigeria's debt burden and stabilize its economy.<sup>15</sup>

The decision to adopt SAP was highly controversial and sparked heated debates within Nigeria.<sup>16</sup> Proponents of SAP, primarily economists and policymakers aligned with the IMF and World Bank, argued that it was necessary to address the country's structural economic imbalances, reduce its dependence on oil, and promote sustainable growth through private sector-led development. They contended that SAP would create

a more efficient and competitive economy, attract foreign investment, and ultimately lead to improved living standards for all Nigerians.

However, critics of SAP, including labor unions, student groups, and civil society organizations, expressed deep concerns about the potential social and economic consequences of the program.<sup>17</sup> They argued that SAP's emphasis on market liberalization and privatization would lead to job losses, erode social safety nets, and exacerbate existing inequalities. They also criticized the IMF's "one-size-fits-all" approach to economic development, arguing that it failed to adequately consider the specific socio-economic realities of developing countries like Nigeria.

Despite these concerns, the Buhari regime, facing mounting pressure from international creditors and with limited options at its disposal, ultimately decided to adopt SAP in July 1986. This decision marked a pivotal moment in Nigeria's post-independence history, ushering in an era of far-reaching economic reforms that would have profound and lasting impacts on the country's trajectory.

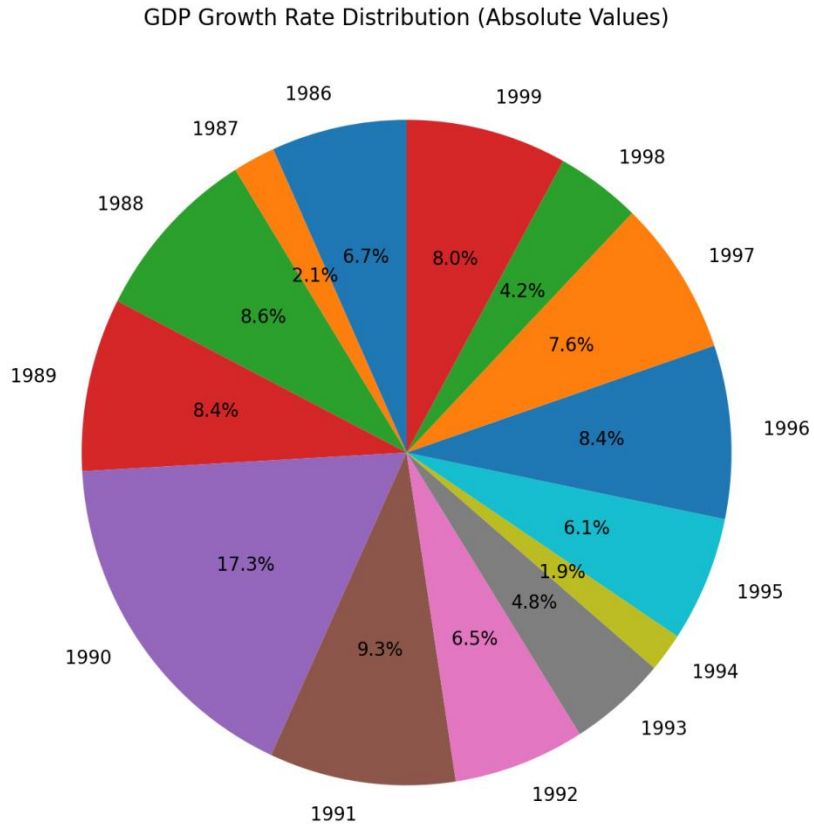
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## CHAPTER THREE

### THE IMPACT OF SAP ON THE NIGERIAN ECONOMY: A SECTORAL ANALYSIS



The implementation of the Structural Adjustment Programme (SAP) in 1986 marked a watershed moment in Nigeria's economic history. This ambitious program, driven by neoliberal principles and backed by the IMF and World Bank, aimed to fundamentally restructure the Nigerian economy by reducing government intervention,

promoting market forces, and integrating the country into the global capitalist system.<sup>1</sup> This chapter delves into the multifaceted impacts of SAP on various sectors of the Nigerian economy, examining both its intended consequences and its unintended ripple effects.

*Table 3.2: Comparison of Pre and Post SAP Investment flow into Nigeria*

<b>Investment Flow</b>	<b>Pre-SAP Average (1980-1985)</b>	<b>Post-SAP Average (1986-1999)</b>
Average Annual FDI Inflow (\$ Billions)	1.2	0.9
Percentage Distribution by Sector		
Oil & Gas	60%	70%
Agriculture	20%	10%
Manufacturing	15%	10%
Others	5%	10%

*This table shows a decline in the average annual foreign direct investment into the country after SAP, also with the bulk of the investment going into the Oil & Gas sector even though one of the goals of SAP was diversification.*

### **The Agricultural Sector Under SAP**

Prior to the oil boom of the 1970s, agriculture had been the backbone of the Nigerian economy, employing a significant portion of the workforce and contributing

substantially to foreign exchange earnings through the export of cash crops like cocoa, groundnuts, and palm oil.<sup>2</sup> However, the allure of oil wealth led to a neglect of the agricultural sector, resulting in declining productivity, rural-urban migration, and increased reliance on food imports.<sup>3</sup>

Proponents of SAP argued that market liberalization and a reduction in government intervention would revitalize the agricultural sector by promoting efficiency, attracting foreign investment, and boosting exports.<sup>4</sup> They posited that by removing price distortions and encouraging competition, SAP would create an enabling environment for the private sector to flourish, leading to increased productivity and a more diversified agricultural sector. Key policy measures implemented under SAP included:

**i Elimination of agricultural subsidies:**

Subsidies on essential agricultural inputs, such as fertilizers and pesticides, were viewed as market distortions that fostered inefficiency and discouraged private investment. SAP advocated for their removal to create a "level playing field" for private sector actors.<sup>5</sup> A 1987 IMF policy paper emphasized that these subsidies created 'artificial' prices and hampered the development of a competitive market, indicating the justification for their removal at the time.

## **ii Privatization of state-owned agricultural enterprises:**

State-owned enterprises involved in agricultural production, processing, and marketing were deemed inefficient and burdened by bureaucratic inefficiencies. Privatization, it was argued, would introduce private sector efficiency, attract foreign investment, and improve service delivery. <sup>6</sup>

## **iii Deregulation of agricultural marketing boards:**

Marketing boards, which had previously played a significant role in stabilizing prices, guaranteeing markets for farmers, and providing extension services, were seen as obstacles to free trade. Their deregulation, it was believed, would foster competition, improve market efficiency, and benefit both producers and consumers.<sup>7</sup>

However, the implementation of these policies had profound and often unintended consequences for the Nigerian agricultural sector. The removal of subsidies on essential inputs, coupled with the devaluation of the Naira, which made imported inputs more expensive, significantly increased production costs for farmers.<sup>8</sup> This placed small-scale farmers, who constitute a majority of the agricultural workforce in Nigeria, at a significant disadvantage. They struggled to afford the now more expensive inputs, leading to a decline in productivity and output.<sup>9</sup> The privatization of state-owned agricultural enterprises, rather than ushering in a new era of efficiency and productivity, often resulted in the dismantling of existing support structures for farmers.<sup>10</sup> Many

privatized enterprises were ill-equipped to fill the void left by the state, leading to a decline in access to credit, extension services, and marketing channels, particularly for smallholder farmers.<sup>11</sup>The deregulation of agricultural marketing boards exposed farmers to the volatility of global commodity markets, leaving them vulnerable to price fluctuations and market shocks. The influx of cheaper, often subsidized, agricultural imports further depressed prices, making it increasingly challenging for Nigerian farmers to compete.<sup>12</sup>

The cumulative impact of these policies on the agricultural sector was significant. Food production declined, as smallholder farmers struggled to cope with rising input costs and increased competition from imports. Rural poverty increased, as farmers saw their incomes dwindle and their livelihoods threatened. Nigeria's dependence on food imports deepened, undermining the goal of self-sufficiency and exacerbating the country's balance of payments problems.<sup>13</sup> The experience of the agricultural sector under SAP highlights the complex and often unpredictable consequences of market liberalization policies in developing countries. While proponents of SAP argued that these policies would lead to a more efficient and productive agricultural sector, the reality on the ground proved far more complicated. The removal of state support, without adequate measures to address market failures and support smallholder farmers, exacerbated existing inequalities and undermined the sector's potential for growth and development.

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## **CHAPTER FOUR**

### **SOCIAL AND POLITICAL RAMIFICATIONS OF STRUCTURAL ADJUSTMENT IN NIGERIA**

While Chapter Three meticulously examined the sectoral impacts of the Structural Adjustment Programme (SAP) in Nigeria, dissecting its effects on specific sectors such as agriculture, industry, and finance, this chapter broadens the analytical lens to encompass the far-reaching social and political ramifications of this controversial economic reform program. The implementation of SAP, with its core tenets of market liberalization, privatization of state-owned enterprises, and stringent austerity measures, had a profound and multifaceted impact on Nigerian society, reshaping social relations, influencing political dynamics, and leaving an enduring legacy – both positive and negative – on the country's development trajectory. Understanding these broader societal and political consequences is crucial for a comprehensive assessment of SAP's overall impact and its long-term implications for Nigeria's development.

SAP's emphasis on market liberalization, while intended to promote efficiency and competition, also led to the dismantling of existing social safety nets and the erosion of state capacity. The removal of subsidies on essential commodities, such as fuel and food, resulted in sharp price increases, disproportionately affecting the poor and vulnerable. The privatization of state-owned enterprises, often carried out with a

lack of transparency and accountability, led to job losses and the concentration of wealth in the hands of a few well-connected individuals. These economic hardships fueled social unrest and exacerbated existing inequalities, creating a climate of resentment and frustration.

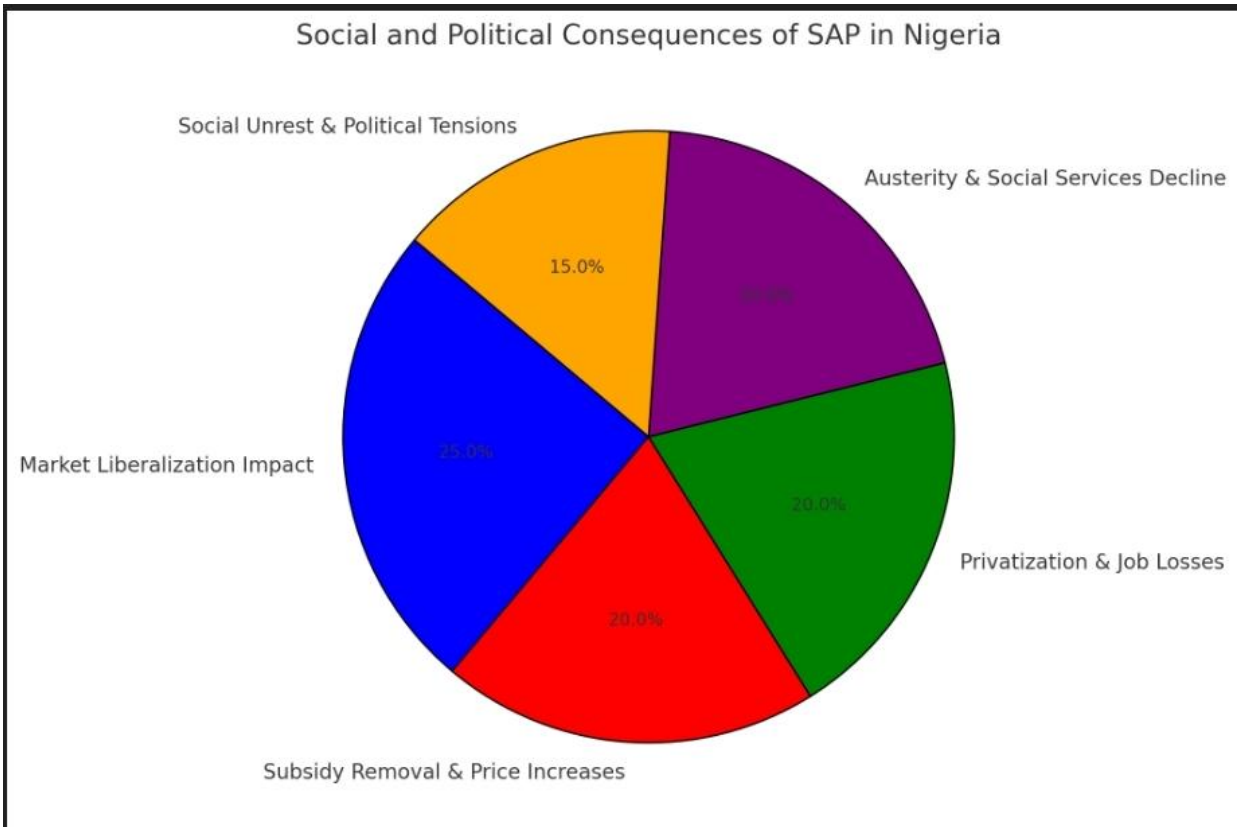
The privatization program, a cornerstone of SAP, had a mixed impact. While some privatized enterprises became more efficient and profitable, others floundered, leading to further job losses and economic decline. The lack of adequate regulatory frameworks and oversight often allowed for cronyism and corruption, undermining the intended benefits of privatization. Furthermore, the privatization of essential services, such as healthcare and education, raised concerns about access and affordability for ordinary Nigerians.

The austerity measures imposed under SAP, including cuts in government spending on social programs, had a devastating impact on education, healthcare, and other essential services. Reduced funding for public schools and hospitals led to a decline in the quality of services, limiting access for many Nigerians, particularly the poor. This further exacerbated existing inequalities and undermined human development, hindering Nigeria's long-term development prospects.

The social and political consequences of SAP were intertwined. The economic hardship and rising inequality fueled social unrest, leading to protests, strikes, and demonstrations against the government. The regime's response to these protests was

often heavy-handed, further exacerbating tensions and undermining democratic freedoms. The economic crisis also weakened the state's capacity to govern effectively, creating a power vacuum that was often filled by powerful individuals and interest groups, further eroding the rule of law.

The legacy of SAP continues to shape Nigeria's political and economic landscape. The program's emphasis on market liberalization and privatization laid the groundwork for the emergence of a more market-oriented economy, but it also contributed to rising inequality and social stratification. The experience of SAP also highlighted the challenges of implementing externally imposed economic reforms without adequate consideration for their social and political consequences. The lessons learned from this period are crucial for informing future economic policy decisions and ensuring that development strategies prioritize not only economic growth but also social justice and human well-being. Nigeria's experience with SAP serves as a cautionary tale, underscoring the need for a more holistic and inclusive approach to economic development that takes into account the complex interplay of economic, social, and political factors.



**Social Inequality and Poverty Under SAP**

One of the most significant social consequences of SAP in Nigeria was a dramatic exacerbation of inequality and poverty. While proponents of the program argued that its market-oriented reforms would ultimately lead to economic growth that would benefit all Nigerians, the reality on the ground was far more unequal.<sup>1</sup> The benefits of any economic growth that did occur during this period were largely concentrated in the hands of a small elite, often those with connections to the government or those able to exploit the newly liberalized markets, while the majority of

Nigerians, particularly the poor and vulnerable, experienced a decline in their living standards.

The removal of subsidies on essential commodities, such as fuel and food, as part of SAP's austerity measures, had an immediate and devastating impact on the poor.<sup>2</sup> Prices of basic necessities like bread, rice, and transportation skyrocketed, making it increasingly difficult for ordinary Nigerians to afford a decent standard of living. For a population already struggling with low incomes and limited savings, this sudden surge in the cost of living pushed millions further into poverty.<sup>3</sup> The devaluation of the Naira further compounded these challenges by making imported goods, on which Nigeria was heavily reliant, significantly more expensive.<sup>4</sup>

The impact of SAP on employment was particularly severe. The mass retrenchment of workers from the public sector, a key component of SAP's drive to reduce government expenditure and enhance efficiency, led to widespread unemployment, particularly among those with limited skills and education.<sup>5</sup> Public sector jobs, though often criticized for inefficiency, had provided a vital safety net for many Nigerians, and their loss had a ripple effect throughout the economy. The already weak social safety net was ill-equipped to cope with this surge in unemployment, leaving many families with no source of income and few options for survival.<sup>6</sup>

The privatization of state-owned enterprises, while intended to promote efficiency and attract private investment, also contributed to job losses and social dislocation.<sup>7</sup> Privatized companies, often driven by the profit motive rather than social welfare, shed workers to streamline operations and improve their bottom line. This led to further unemployment and hardship, particularly in urban areas where many of these enterprises were located, and often resulted in the dismantling of vital services previously provided by the state.<sup>8</sup>

The social consequences of these policies were stark. Poverty rates soared during the SAP era, with the gap between the rich and poor widening dramatically.<sup>9</sup> The Gini coefficient, a measure of income inequality, increased significantly during this period, indicating a growing concentration of wealth in the hands of the few.<sup>10</sup> Access to basic services, such as healthcare and education, deteriorated as government spending in these areas was slashed under austerity measures.<sup>11</sup> Women and children were disproportionately affected by these policies, as they often bore the brunt of caring for families on dwindling incomes and faced limited opportunities for economic advancement in a shrinking job market.<sup>12</sup>

The implementation of SAP in Nigeria had a devastating impact on the social fabric of the nation. The pursuit of market-oriented reforms, without adequate consideration for their social consequences, unleashed a wave of poverty, inequality, and social unrest that would have a lasting impact on Nigerian society.<sup>13</sup> The erosion of

the middle class, the widening gap between the rich and poor, and the increasing sense of desperation among large segments of the population created a volatile social environment, setting the stage for future unrest and instability.

### **The Crushing Weight of Austerity: The Decline of Social Services**

Beyond its impact on poverty and inequality, SAP's austerity measures had a devastating effect on Nigeria's already fragile social service sector. Drastic cuts in government spending on healthcare, education, and social welfare programs led to a decline in the quality and availability of these essential services, disproportionately impacting the most vulnerable segments of society.

### **Healthcare in Crisis:**

Prior to SAP, Nigeria's healthcare system, while grappling with challenges, provided a modicum of affordable healthcare through government-funded hospitals and clinics. However, SAP's emphasis on cost recovery in the health sector led to the introduction of user fees, making healthcare increasingly unaffordable for the poor.<sup>14</sup> Hospitals and clinics, starved of adequate funding, struggled to maintain basic services, leading to shortages of essential drugs and equipment, deteriorating infrastructure, and a decline in the quality of care.<sup>15</sup> This decline disproportionately impacted the poor, who often lacked the financial means to access private healthcare, leading to preventable deaths and a resurgence of diseases previously thought to be under control.<sup>16</sup>

## **Education Undermined:**

Similarly, the education sector, once a source of hope and upward mobility for many Nigerians, faced significant challenges under SAP. Budget cuts led to a decline in the quality of public education, as schools struggled with overcrowded classrooms, a shortage of qualified teachers, and a lack of basic learning materials.<sup>17</sup> The introduction of tuition fees at all levels of education, from primary school to university, created further barriers to access, particularly for children from poor families.<sup>18</sup> The consequences of this decline in educational opportunities were far-reaching, perpetuating cycles of poverty and limiting Nigeria's long-term development potential.

The deterioration of social services under SAP had profound and lasting impacts on Nigerian society. The decline in healthcare led to increased morbidity and mortality rates, particularly among the poor. The erosion of educational opportunities stifled social mobility and undermined Nigeria's human capital development. The weakening of the social safety net left millions of Nigerians vulnerable to shocks, exacerbating poverty and inequality, and contributing to social unrest and political instability.

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## **CHAPTER FIVE**

### **CONCLUSION**

This study set out to critically examine the impact of International Monetary Fund (IMF) policies on the Nigerian economy during the periods of structural adjustments from 1986 to 1999. Through a comprehensive analysis of historical data, policy documents, academic literature, and media reports, the study has illuminated the complex and often contradictory legacy of these policies. The economic crisis of the 1980s, rooted in oil dependency, unsustainable debt, and mismanagement, created the context for the IMF's intervention in Nigeria. The collapse of oil prices exposed the fragility of the Nigerian economy and its vulnerability to external shocks. The IMF, with its neoliberal prescriptions, presented itself as the savior, offering financial assistance in exchange for far-reaching economic reforms.

The IMF's Structural Adjustment Programme (SAP), implemented in 1986, aimed to restructure the Nigerian economy through market liberalization, privatization, and austerity measures. These policies were intended to promote macroeconomic stability, attract foreign investment, and foster economic growth. However, the implementation of SAP had profound and often unintended consequences for various sectors of the Nigerian economy and its people. The agricultural sector, once the backbone of the Nigerian economy, suffered significant setbacks under SAP. The removal of subsidies, privatization of state-owned enterprises, and deregulation of

marketing boards left farmers, particularly smallholders, vulnerable to market volatility, rising input costs, and competition from cheaper imports. This led to a decline in agricultural production, increased food imports, and heightened rural poverty.

The social and political ramifications of SAP were particularly severe. Austerity measures, including cuts to social spending and public sector employment, led to a rise in poverty, inequality, and social unrest. The deterioration of essential services like healthcare and education further exacerbated these challenges, disproportionately impacting the most vulnerable segments of society. The implementation of SAP contributed to a decline in democratic accountability and fueled corruption within the government. The concentration of wealth in the hands of a small elite, coupled with the erosion of the middle class, created a volatile social environment, undermining social cohesion and political stability.

This study relied primarily on secondary data sources, which, while comprehensive, may not fully capture the lived experiences of those most affected by SAP. Further research, incorporating primary data collection through interviews and fieldwork, could provide a more nuanced understanding of the program's impact at the grassroots level. Future research could delve deeper into the long-term consequences of SAP on the Nigerian economy, exploring its impact on subsequent economic policies, the development of the private sector, and the persistence of poverty and inequality. A

comparative analysis of SAP's implementation in other African countries could also provide valuable insights into the factors that shaped its diverse outcomes.

The legacy of SAP in Nigeria remains a complex and contested issue. While the program may have achieved some of its stated macroeconomic objectives, its social and political costs were significant and continue to reverberate today. The Nigerian experience serves as a cautionary tale about the limitations of market-oriented reforms in developing countries and the importance of prioritizing social welfare and inclusive growth in economic policymaking. The lessons learned from this period hold significant relevance for contemporary debates about economic development, particularly in the context of globalization, debt management, and the role of international financial institutions.

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