Structural Adjustment: An Unqualified Failure
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Abstract

This paper assesses the thesis that the Structural Adjustment Programmes (SAPs) did not achieve its primary motive of making Sub-Saharan Africa a poverty-free and economically vibrant continent. The question of whether the World Bank and the IMF have alleviated or exacerbated the poverty in Africa is shrewdly answered. Both sides of the coin, the pros and cons of SAPs, are scrutinised studying the performance of both the social and economic indicators of development. The heart of this paper’s argument lies to demonstrate that the prescriptions of these two institutions for Africa’s predicament have hampered its economic growth and development more than they helped.

Keywords: Structural adjustment

Introduction

Africa’s development and economic growth have been a matter of great concern to the world. Up till today, many scholars are still interested in to find out why Africa is still relatively underdeveloped and the negative manifestations such as ‘debt-stricken’ and ‘poor’ are associated with the continent and its people. Sadly, there is no quick answer for this. Some intertwined factors have generated Africa’s reality today: the colonial legacies, bad governance and economic mismanagement.

Concerning this background, however, the International Monetary Fund (IMF) along with the help of the World Bank introduced and advocated Structural Adjustment Programmes (SAPs). As Tion (2014) argues the debt crisis in the late 1970s offered the two institutions the opportunity to intervene the deteriorating African economies which were incapable of repaying the credits taken from the Western banks.

The Bretton Wood institutions- the World Bank and the IMF- provided conditional loans to the Sub-Saharan African countries with struggling economies to eradicate poverty by engendering export-led growth that can attract foreign direct investment (Ndulu, 2007). By 1980, some African governments were requested, by the World Bank and the IMF, to take specific measures: cut off public expenditures, increase interest rates, as a result limiting access to credit; privatise public enterprises; boost exports; and removing obstacles to trade and foreign investment (Ismi, 2004).

In their report, The World Bank & the IMF, Bello and Cunningham (1994) mentioned that 36 of Sub-Saharan Africa's 47 countries adopted SAPs by the beginning of 1980. Following three decades, the World Bank and IMF have spent over $50 billion on Sub-Saharan Africa (George B.N. Ayittey, 2002). Between 1989 and 1999, some African states showed remarkable results regarding economic growth. Africa’s trade as a percentage of GDP grew from 78.1% to 95.6%; foreign direct investment rose from $923 million to $7.9 billion; debt service increased from 12.9% to 13.9% of exports (Tion, 2014). Whereas World Bank (2001) confirmed that ‘only official aid to Sub Saharan Africa fell from $19.4 billion in 1994 to $12.5 billion in 1999’.
The World Bank and the IMF's encouragement of exports and foreign investment in Africa, unfortunately, made few or no substantial reforms regarding poverty alleviation and debt reduction (Ismi, 2004). With this in mind, Coetzer (2013) support the notion that 'foreign investment contributes little to African economies due to incentives are given to the companies such as tax holidays and profit repatriation allowances'. According to Oxfam (1995), 'Africa's recovery prospects have suffered acutely from the emphasis placed by SAPs on export-led recovery'. Thereby the Structural Adjustment Policy (SAPs) has adversely contributed to Africa's global image 'the only developing region in which poverty is increasing, and human welfare standards are worsening' (Oxfam, 1995).

The critics question the role of two institutions in Africa's development. As a result, considerable debates within the development circles have been initiated regarding the conditions and implementation of SAPs and to what extent the two institutions can be responsible for Africa's debt crisis and poverty (Macleans A. Geo-Jaja & Garth Mangum, 2001). Though the supporters of the structural adjustment claim that the reforms were indispensable as few options were available, the opponents hold the view that SAPs made no significant changes in Africa's social development aspect but instead maximised the poverty rates (Heidhues, Franz & Obare, Gideon, 2011).

Many scholars assume that the poor performance of structural adjustment programmes (SAPs) in Africa is due to the imperfect or ill-planned implementation and idealistic policy elements of the SAPs. The available literature conveys that a mixture of the above three factors make the SAPs fail in Africa. As acknowledged by World Bank (1996) SAPs implementation was weak, half-hearted in most countries, which lacked both ownership and political will. Thus remarkable achievements were not made, despite the financial and institutional support mainly from its proponents, the World Bank and the IMF (Heidhues, Franz & Obare, Gideon, 2011).

Back in 1994, the Bretton Wood institutions have themselves confirmed that only 6 African states had performed well-out of the 29 African countries that $20 billion loans were given in a decade's time (1981-1991): Ghana, Zimbabwe, Nigeria, Gambia and Burkina Faso. This number has fallen to two states after a year: Burkina Faso and Ghana. In the same year, 1995, Ghana realised that its economic growth was stagnant and SAPs were not the solutions anymore (George B.N. Ayittey, 2002).

However, in this paper, I will carefully consider and analyse both sides of the argument: the advantages and disadvantages of SAPs in Sub-Saharan Africa. I will also critically study the economic realities of in selected countries, responding to whether these programs helped or hampered Africa's economic growth and development. Therefore I would like to look at different sets of indicators: economic and social, to measure the success or failures of the structural adjustment programs. Examining both economic and social indicators will help me find answers for the critics who claim that the World Bank and the IMF view the development as 'being synonymous with national economic growth measured by indicators such as GDP' (Konadu-Agyemang, 2001).

This paper has two main sections. The first part scrutinises the failures of the Structural Adjustment Programs (SAPs) in Sub-Saharan Africa. While the second portion analyses the success of SAPs and briefly looks into the central claims of the World Bank and the IMF that the Structural Adjustment Programs (SAPs) are 'functioning' and Sub-Saharan Africa's
economic growth is in ‘progress’. Both sections will measure the success and failures of SAPs against the primary mandate of the two institutions: poverty alleviation, enhancement of living conditions and promotion of economic growth. The examples cited from the African states will also further clarify each argument. Finally, I will draw a conclusion based on arguments in favour and against the structural adjustment programs (SAPs).

Failures of Structural Adjustment Programs (SAPs) in Sub-Saharan Africa

In this section, I will critically carry out an in-depth analysis of the fundamental shortcomings of the Structural Adjustment Programs (SAPs) by carefully looking into the critical aspects of the SAPs and how they relate to the social, economic and political weakening of Sub-Saharan Africa. The conditions of SAPs did not complicate Africa's financial hardships themselves, but they widely triggered other forces which have exacerbated the miserable situation in Africa. Reduction of public expenditures, for instance, negatively affected the quality of service delivery particularly health and education. Thus the poverty gap between the rich and the poor, the rural and the urban was further widened, hence aggravating poverty and amplified the debt burden. For the analysis to be fair, I will cite examples from four African countries, Zambia, Zimbabwe, Nigeria and Ghana, which have revealed different results after the implementation of the structural adjustment programs.

Let us consider the chief criticism which relates to the prime condition of SAPs: reduction of government expenditures on health care and education. Konadu-Agyemang (2002) argue that cutting off African government spending further broadened the inequality between the rural and the urban as well as the rich and the poor. The public services (i.e. education and healthcare) have been treated as undesirable stepchildren who deserved no vital attention within the family budget, expecting the generous donations to fill in the parent's pockets. Though health and education are integrated social services, and the failure of one impacts the other. The reduction of public spending on these services, as requested by structural adjustment programs, means that public interest will put in jeopardy. For instance, ten African states paid out over three times on debt repayments than on education and health put together in 2002 (Gathii, 2003). Let us carefully turn to examining each service and how one relates to the other, and above all how health and education suffered under SAPs.

Another significant failure is related to the debt repayment and its negative impact on health. During the adjustment period, Sub-Sahara Africa’s debt has raised by over 500% since 1980 to $333 billion in the present day. Africa paid back $229 billion to the rich Western world in three decades (STWR, 2008). According to Ismi (2004), African countries have repaid back their debt three times more though they are three times as indebted as ten years ago. World Bank regards 33 states of Sub-Saharan Africa’s 44 countries as severely indebted developing countries. Africa, the world's most impoverished region, pays the wealthiest 'countries $15 billion every year in debt servicing' (Queyranne, 2006). Also, most African states disbursed four times more on debt repayments than on health resulting healthcare budget in the 42 underdeveloped Sub-Saharan Africa to drop by 50% during the 1980s. My argument is not that SAPs have initiated Africa's health hardship, but they have an intensification effect on Africa's part in the SAPs and its healthcare expenditure. SAPs have thus forced many African states to divert funds from health programmes which has adversely resulted in the loss of lives, spread of diseases and so forth. As a result, health systems have failed across Sub-Saharan Africa due to limited poor medical services (i.e. hospitals, medical staff and amenities) and yet those remaining open have greatly suffered without essential medical supplies. Sub-
Saharan Africa consequently accounts for 80% of the world's deaths owing to AIDS pandemic and approximately 90% of the world's human losses because of malaria (Ismi, 2004).

This is evident in the case of Zimbabwe where the creation of user fees for health services suddenly resulted in costs upsurge for patients which, in some cases, surpassed 1000% (Ismi, 2004). As a result, the falling of health budget led to the deterioration of the quality of health services by a 30 percent leading to the increase of female deaths by two-folds in Harare hospitals in 1993 than before 1990 and so was the infant and child mortality rates. The life expectancy fell from 61 to 48 years while the number of cases of tuberculosis had multiplied (Ismi, 2004). As such or because of the fact, the Bretton Wood's economic demands have further complicated the health situation in Zimbabwe. Likewise, Ghana's health services suffered under SAPs particularly at the time of the introduction of user fees for healthcare in 1985. This was also made worse by the dropping wages and growing poverty which has drastically lowered the patient attendance at health centres by a third particularly in rural regions. The patients were forced to pay for all health services including drugs, blood, surgery, even the cotton wool and this has led many poor patients who could not afford to pay to suffer without the medical care.

As far as structural adjustment loans are concerned, Africa's per capita education budget dropped by an average of 0.7% per annum from 1986 and 1996. So was the adult literacy which fell below the developing country average of 73%, which became 60% and over 140 million young Africans are illiterate (Ismi, 2004). Interestingly, research made on Africa's adjusting and non-adjusting nations from 1986 to 1996, results show that African states with 'successful records' in the adjustment programme condensed possible household spending to education and so was the public education expenditures. The IMF and World Bank, therefore, did not recognise the costs related to an uneducated population (Walwema, 2013). For example, from 1990 to 1993, Zambia government disbursed 35 times on debt repayment than on primary school education which resulted in the quality and standard of schools to suffer due to poor education funding (Adejumbi, 2013). This is also explained by how education endured under SAPs in Ghana from 1981 up till 1997. For example, the budget for health dropped from 7% of government expenditure in 1980 to 1.3% in 1997 while the education budget was even worse. Ghana's allocation to the education falls from 4.3% of government spending in 1982 to less than 1% (Konadu-Agyemang, 2002). Consequently, the poverty and depressed situation that arisen under SAPs made life difficult for Ghanian impoverished sections of society: women, children, the elderly, urban poor, and the rural people. In a nutshell, the horrific fact is that extreme poverty, hunger and poor health of the children are in fact much more visible in rural areas than urban areas (Konadu-Agyemang, 2002). Because of these uneven disparities, many scholars claim that there is no clear justification of why budget cuts have to focus on the vulnerable groups of the society. It could have instead fallen on the military budget or spending lowered through higher taxes on high-income earners.

Regarding poverty alleviation, the recent literature available suggests that structural adjustment programmes have not been favourable to the poor (Weissman, 1990). The structural adjustment programs applied in African countries were expected to lessen poverty by fostering economic growth, but almost the opposite has taken place (Heidhues, Franz & Obare, Gideon, 2011). Debt has increased deteriorating the quality of life, as infrastructures have shattered, as services have declined and as prices have risen. People both rural and urban areas were pinched by the new conditions of SAPs mainly affecting the poorest sections of the Sub-Saharan Africa society such as female-headed households, children of the poor,
rural peasants and urban slum dwellers. Drought and conflict further exacerbated the miserable situation. By 1994, over 350 million people—almost half of Africa’s populations—lived below the poverty line (less than US $1 a day) (World Bank, 2001). SAPs, therefore, did not cure the economic ills of Sub-Saharan Africa but it further generated more problems including the reappearance of once-conquered diseases such as AIDS, and critical indicators of quality of life such as infant mortality and life expectancy were once more worsened (Riddel, 1992).

Ghana is a good illustration of where the SAPs have failed to inspire equitable growth and development in farming and rural areas even though a lot of efforts have been made to restructure the unproductive government seed companies. The World Bank has been eager to develop new agricultural projects in Ghana, but the results achieved did not go beyond the policy analysis, institutional reforms and privatisation—yet it has not relatively changed the plight of poor people in the rural areas (Weissman, 1990). Similarly, enlarged volume loan has led Nigeria into a debt cycle, in which they wanted further loans to repay debt or compensate much more than they initially borrowed because of the interest rates, making them unable to use much of the credits for development. Nigeria had acquired $5 billion in 1978, and by 2000, they had only paid back $16 billion but still owed $31 billion. “Ghana’s total debt more than quadrupled from $1,398 million in 1980 to $5,874 million in 1995, while external debt as a percentage of GDP also rose from 31.6% to 95% over the same period” (World Bank, 2001).

The World Bank and IMF's structural adjustment has not only impacted the economic structures of Sub-Saharan Africa but has a necessary consequence for how the African leadership conduct politics. The imposition of SAPs to Africa made many states much less flexible in handling the political crisis. Given the fact that Africa states are fragile and there is always a need to provide subsidies to ethnic groups or political opponents, SAPs would not make possible for such exercises to be pursued thereby creating an unstable political environment (Herbst, 1990). On the part of African political elites, life becomes difficult for them to maintain peace and order in their countries. This is because ‘African leaders will not be able to provide side-payments to restive populations to prevent unrest’ (Herbst, 1990). For example, the city riots which are frequently waged in most Sub-Saharan Africa cannot be prevented unless African leaders provide a further subsidy of basic food supplies of the urban poor. Likewise, the Bretton woods measures to diminish the fiscal deficit may not let African states to buy off agitated militaries through increases in defence budgets. Herbst (1990) argues that the military and urban population will be detrimental factors in Africa’s politics as the political leaders need to have physical control of the urban areas to sustain in power.

The fundamental notion is, however, that if the African leadership does not reward politically violent groups, as they did in the past, they can merely disrupt peace and cause political instability. This shows that structural adjustment has not been considerate about the political context in Africa and it further worsened the political situation as many African leaders could not alter their political atmosphere in the foreseeable future. Though critics claim that structural adjustment does not create political tensions on Africa’s democratic systems but instead have provided a specific legitimacy (Herbst, 1990). According to Walwema(2013), structural adjustment programs did not inspire the orderly growth and governance in Africa. This is due to three chief reasons: compliance with SAPs weakens democratic institution building, incapacitate African legislatures from effecting macroeconomic trade policies as well as negatively impact the development of the workplace due to an upsurge in private enterprises and a decrease in the public company. In a nutshell, the implementation of SAPs
forces African political elites to carry out economic reform meaning that they will be confronted with the dangerous political situation as they would be required to implement more decentralised kinds of governments. In other words, the critical losers of the change will be the politicians themselves. Because structural adjustment would not be possible unless African leaders adjust their policies which will cost them a lot (Herbst, 1990).

Privatization is viewed by the IMF and World Bank as a tool to endorse private sector development, of which they termed as "engine of growth". However, the privatisation of Africa's state-owned industries (i.e. water and power utilities) has been one of the essential conditionalities forced by the two institutions, even in the context of "poverty alleviation". Most of the foreign direct investments listed by African countries in the 1990s appeared as a reply to the privatisation of state-owned enterprises. As a result, over 40,000 state-owned businesses in Sub-Saharan Africa were privatised including telecommunications, energy, water and the extractive industries. The process of privatisation primarily became noticeable in the 1990s and since then progressed at a fast pace, despite the challenges faced as a result of deregulation, liberalisation. Critics have expressed concerns over the rapid privatisation process as well as the requirements, claiming that the ultimate goal of creating national prosperity is substituted by self-interested private gains (by few foreign enterprises and national corporations (McPake, 2009). Thus limited or no tangible economic results were realised by the World Bank and the IMF thus far. Many privatisation schemes have become unsuccessful and further led to deteriorating economic and social conditions in Sub-Saharan Africa resulting to mass unemployment, price fluctuations of primary commodities and poor public services (most importantly health and education).

**Triumphs of Structural Adjustment Programs (SAPs) in Sub-Saharan Africa**

Under this section, I will look at the notable achievements made by structural adjustment programmes (SAPs) and how they have caused economic revival and political stability in Sub-Saharan Africa, by citing examples from two African states, Ghana and Tanzania. It is an undeniable fact the SAPs played a critical role in rescuing Sub-Saharan African nations. A living example is Ghana, where the implementation of SAPs, its supporters argue, saved Ghana's economy from total failure in 1984. According to (Konadu-Agyemang, 2002), Ghana’s GDP, which experienced steady negative growth from 1974 up till 1984, yielded better results with SAPs. The following decade, Ghana’s GDP increased to an average of 5%-6%, while the annual rate of inflation falls from an average of 123 percent in the initial years of the 80s to 32 percent in 1991 (Konadu-Agyemang, 2002). Huq (1989), Boachie-Danquah (1992) and World Bank (1996) highlight other vital accomplishments of SAPs which include the growth of Ghana's industrial production, which are currently operating at the capacity of 35% to 40 %, positive growth of goods and services and the attraction of foreign direct investment.

The evidence of success can be seen in the case of Tanzania. The structural adjustment programme was firstly implemented in Tanzania in 1983 when the national economy was severely affected by the new international economic disorder of the 1970s’ (Arkadie, 1995). The economic crisis before SAPs implementation upset the administrative capacity of the state to control its economy, resulting governance crisis such as bureaucratic corruption and poor public service delivery. The 1983-1986 SAP failed and did not recover the country from the economic mess, however, the adjustment programme was re-launched in 1998, under the name of the Economic Recovery Programme (ERP) to address the structural problems in Tanzania (MESSKOUB, 1996). The programme took drastic measures to reform government
finances by cutting off recurrent expenditures, improving the efficiency of tax collection and paying particular attention to country's disrupted transport facilities which would ultimately enhance their capacity to export and import. Between 1986 and 91, Tanzania has witnessed positive economic growth. The GDP annual growth rate averaged 4 percent (Anon., 1991), the agriculture sector grew from 3.6% to 3.6 % per annum and the production in the manufacturing sector increased with an annual average growth rate of 3.1 % in that period (Mwakasege, 1998). However, the critics argue that though Tanzania's macro-economy performed well with SAPs, unfortunately, the social dimension of the development has not progressed meaningfully hence failed to alleviate the poverty of the vast majority of Tanzanian population.

Researchers have not treated the political consequences of SAPs in much detail. However, there are clear indications that the measures proposed by the IMF and World Bank pressured African regimes to rethink their political systems. The improved governance and democratisation success in Sub-Saharan Africa, if any, can be attributed to the constant pressures and pains of SAPs. According to Adejumobi, (2013), a vast majority of African electorates voted with their hands in public riots, demanding African governments to adopt SAP measures to adjust the economic mess. This has disturbed the political systems, particularly authoritarian regimes, which could not avert the predictability of the SAP measures such as fighting corruption.

Conclusion

Considering both sides of the coin, the IMF and World Bank have not been successful in alleviating poverty and promoting sustained development in Sub-Saharan Africa. The critics are concerned with the deteriorating quality of public services such as health and education which are very much associated with the drastic cuts in public expenditures. Furthermore, the key criticisms suggested thus far primarily focused on how SAPs exaggerated economic growth rather than pursuing economic sustainability. Shaw (1991) mainly argues that ‘a weak performance on equity issues, together with rising political expectations, has generated threats the sustainability of adjustment and to overall political stability.’

Although structural adjustment has shown ‘some' positive results in creating a better framework for Africa's economic growth, the opponents believe that SAPs were not designed to keep Africa economically self-governing as the implementation process presents the opposite. In the words of Dembele (2014), the Bretton Wood institutions are ‘instruments of domination and control in the hands of powerful states whose long-standing objective is to perpetuate the plunder of the resources of the Global South, especially Africa’. Because of these concerns, I believe, the IMF and the World Bank’s prescriptions have not engendered equitable economic growth in poor Africa but rather endorsed the interests of global capitalism. Finally, the poor African states cannot put their faith in these two institutions to foster development. ‘If the experience of the last quarter of a century has taught Africa one fundamental lesson it is that the road to genuine recovery and development begins with a total break with the failed and discredited policies imposed by the IMF and the World Bank.’ (Dembele, 2014) Therefore Africa's development should be of great concern to Africans themselves as well as their leadership and Africa's mistakes should be corrected from within not looking miracles to come from outside the continent. The World Bank and the IMF should also re-think their approach to poverty-alleviation, and the social costs of SAPs should also be re-examined (Logie, 1998).
Bibliography


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