THE PENNSYLVANIA STATE UNIVERSITY
SCHREYER HONORS COLLEGE

DEPARTMENT OF ECONOMICS

STRUCTURAL ADJUSTMENT IN SUB-SAHARAN AFRICA

MIATTA JEANNETTE MASSALEY
Spring 2010

A thesis
submitted in partial fulfillment
of the requirements
for a baccalaureate degree
in Economics
with honors in Economics

Reviewed and approved* by the following:
Dr. David Shapiro
Professor of Economics
Thesis Supervisor and Honors Advisor

Bee-Yan Roberts
Professor of Economics
Faculty Reader

*Signatures are on file in the Schreyer Honors College.

i. Abstract

This paper highlights the economic situations that the region of sub-Saharan Africa was facing in the time period after the countries of the region became independent. This paper will also look at the response to these situations by the International Monetary Fund and the World Bank and their implementation of Structural Adjustment Programs. This paper also focuses specifically on the policies that were in place at the time of adjustment and the corrections made to these policies in order to elicit economic growth in sub-Saharan Africa. This paper also analyzes the implementation of these programs, the results on a case-by case basis, and identifies the constraints faced by the International Monetary Fund and the World Bank in order to properly analyze the success or failure of Structural Adjustment Programs.

Keywords: adjustment, agricultural, conditionalities, fiscal, GDP, infrastructure, the International Monetary Fund, monetary, policy, structural adjustment, trade, the World Bank.

ii.Table of Contents

I. Introduction

For a long time, Africa has been a continent that has been in great need. From the time of the slave trade, many of Africa's countries have been occupied and subject to outside control. Nations such as Great Britain, Spain, and France had colonized and exploited the continent for its many resources such as gold, cotton, coffee, and human labor. The nations below the Sahara Desert, also known as sub-Saharan Africa, were most affected by this colonization because of their abundance of resources. In 1957, Ghana gained independence from Great Britain and started a trend that many other nations would follow. By 1965, most sub-Saharan nations had become independent of colonial rule and had begun starting their own governments and running their own economies.

Upon independence, most nations appeared to be geared toward economic success. They had the resources and manpower to effectively grow crops and trade them on the world market. Their abundance in prominent resources was good for satisfying the need in many powerful nations. For example, their abundance of gold was good for satisfying American demand and their abundance in coffee and sugar would easily satisfy the British sweet tooth. When these factors were considered, many thought that most sub-Saharan nations were poised to have growth surpassing the most successful nations in Asia such as South Korea (Lancaster, 1999).

Unfortunately this is not what happened. Although sub-Saharan Africa was rich in resources and manpower, the economies in most of the nations began failing in the years after their independence. Factors such as ineffective fiscal and monetary policies were ever-present and began to take a toll on the new governments. Unfavorable weather patterns began to make growing crops in many areas very difficult, and therefore many people slowed their efforts in agriculture. An abundance of agricultural policies that raised taxes on farmers paired with a lack of subsidies for farmers also contributed to the declining incentive to participate in the agricultural world. These crops were the main source of exports in many countries, so their leverage in the world economy began decreasing due to their decreased exports. The corresponding increase in imports made goods more expensive, which then lowered buying power for many people.

At the same time, the 1973 Oil Crisis, started by the Organization of Petroleum Exporting Countries (OPEC), and the energy crisis in 1979 also presented obstacles. The lack of oil circulating the world paired with the strict oil rationing taking place in most countries created a situation where the demand for oil far outweighed the supply. In response, the prices of oil worldwide skyrocketed. As a result of the sharp increase in oil prices, it became considerably more expensive for other countries to export goods to Africa, and more expensive for Africans to export goods to other nations.

The unpredictable weather paired with the oil crisis and the unfavorable agricultural policies created a negative effect on the supply of food. The weather made it harder to grow food, the lack of oil made it harder to import food, and the bad policies made it unattractive to participate in growing food, which ultimately resulted in the decrease of food supply. This created a situation where the quantity demanded was not decreasing at the same rate as the supply. Consequently, the prices of these goods, especially the imported ones, increased and made imported goods less affordable to many people. This impacted the food sustainability in many sub-Saharan nations because it created a situation where people could not acquire the healthy amount of food needed for their families. On an aggregate scale, it also impacted the nation's ability to produce enough food to make up for the lack of imports and to sustain their exports.

To add to these things, the spread of diseases in the region took a toll on the number of people who could work. Deadly viruses such as Ebola and H.I.V. became very prominent within many nations in sub-Saharan Africa. The fast nature of the Ebola virus and the contagion of the H.I.V. virus took heavy tolls on the labor force because when people were infected, it was physically impossible for them to work. The presence of these diseases caused the adult dependent population to increase and the ignorance about these diseases caused their reckless spread. These things all had very negative effects on economic growth.

The population was also growing at a rapid pace. Many babies were being born within a small window of time. This increased the population of dependent children because more babies meant more mouths to feed. Paired with the health epidemics, this created a situation where many people needed to be fed, but there were not enough people healthy enough to work to afford supplies and food.

Additionally, the corrupt nature of most sub-Saharan governments reduced the chance of economic success. Many governments lacked experience and transparency, which are typically critical to their success. They also misallocated government funds, many times with the money going directly in the pockets of government officials. They also implemented ineffective policies in place that just complemented the already declining economy. They had fiscal policies that allocated resources wastefully, trade policies that practiced protectionism to limit competition, and exchange rate policies that had them ineffectively trading on an overvalued exchange rate. These were just a few of the policies that set these economies up to struggle.

These conditions placed sub-Saharan Africa in an economic hole, with the GDP per capita in many countries equating to only a few hundred American dollars. These conditions are what placed Africa in the public eye and eventually caught the attention of the International Monetary Fund (IMF) and the World Bank.

The IMF and the World Bank were both set up by the Bretton Woods Conference in 1944. The IMF functions as an organization to allocate loans to countries in need, and the World Bank provides monetary and social policy help as well. Both of these organizations came together when they realized that sub-Saharan Africa's development was failing. With rapid population growth, lack of food sustainability, and medical epidemics paired with economic shocks and bad existing policies, there was no way that these nations could recover without help.

When the World Bank assessed the situation in sub-Saharan Africa, it was seen that the growth in GDP in the region was lacking. During the 1960's many nations were ahead of the top Asian nations in growth, but by the 1970's GDP growth had slowed to rates less than 1% (The World Bank, 1994, p. 17). Stagnation prevailed, and as time went on, many nations' growth plummeted to negative levels. The developing nations that sub-Saharan Africa began developing with had left them far behind by the time 1980 came. African nations lost all leverage in the world market and many currencies became worth very little. To add to this, the inexperience of the governments led to the bad policies that were prevalent throughout the region and the heavy government spending that depleted their budgets. Also, many adjustment projects that tried to slow the downward spiral of sub-Saharan economies since 1965 had failed.

In response to this situation, the World Bank released their report called *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* in 1981. The bank's African Strategy Review Group, headed by Elliot Berg, put forth the report. Because this report is now informally called the Berg Report after the committee's head, I will refer to it as such from this point on. The report outlined the entire spectrum of problems in sub-Saharan Africa as well as possible solutions that were set to be implemented. These solutions would come to be known as Structural Adjustment Programs (SAPs). These programs were created to increase personal and government savings in order to increase investment and stimulate economic growth, as well as reform all of the ineffective government policies that were in place in most sub-Saharan nations. The programs also aimed to reduce population growth by promotion of birth control and planned parenthood while decreasing the death rate via disease control and epidemic protection. With the help of a few pre-set conditions, these goals were to be met by both the IMF and the World Bank within twenty years.

The existence of SAPs in sub-Saharan Africa during the 1980's often brings forth great debate. Some see the programs as successful for many reasons. Many note that the programs placed the officials in these nations under the direction of more experienced officials, which helped to teach them effective tactics such as savings and investment and how these tactics have potential to help their economies. They also argue that without these programs, many nations would be in an even more dismal condition than they were in during the 1970's.

Those who oppose the programs note that many countries were left in worse economic condition by 1986 than they were in during the 1970's. Many countries had no increase in saving and investment and their GDP growth was not significant. It is often noted that some nations even experienced negative GDP growth. In addition, many critics note that the problems of population growth and health epidemics were not helped.

Today, over twenty-five years after implementation, many sub-Saharan nations are still in dismal shape. They still do not have satisfactory statistics when it comes to exports, population control, or GDP. It is because of this that I am led to believe that these programs were not good for sub-Saharan Africa. While I do acknowledge that the downfalls are not the exclusive fault of the World Bank and the IMF, I do think that these programs should be considered a failure.

In this thesis, I will give the background information to the crisis that Africa was facing as well as information on why the World Bank and the IMF decided to implement Structural Adjustment Programs. I will then give insight into the rise of Structural Adjustment Programs and how they were implemented. From there I will seek to show the initial results. From this, I will discuss some of the successes and the failures, and draw from that analysis why I consider these programs to be a failure. After this analysis is complete, I will give insight into the current condition of many sub-Saharan nations as they exist today and show how Structural Adjustment Programs shaped this situation.

II. Background Information

This section will give a detailed description of the economic and social problems that were prevalent in sub-Saharan Africa prior to the era of SAPs in order for it to be made clear why the IMF and the World Bank decided to implement them. The perspective of the World Bank has deliberately been taken in order to show their intent.

In 1965, the movement of African independence was largely complete and many nations seemed poised for success. Countries such as Ghana were very rich in mineral resources like gold and had productive agricultural sectors and were therefore thought to be able to compete with South Korea, which was also mineral rich and very competitive on the world market. Many other sub-Saharan nations were set to compete with the countries of East Asia as well. The key to sub-Saharan success would be savings and investment. As the World Bank originally projected, sub-Saharan African nations would need to maintain a level of 25% gross domestic investment to GDP and 24% gross national savings over the next twenty years. It was said that if sub-Saharan Africa could do this then they would have the economic situation to maximize their potential for trade and development. (Adedeji et al., 1993, p. 98). Unfortunately, this is not what occurred. South Korea increased their real per capita income by 170% between 1965 and 1980, while African numbers had stayed the same, and in some cases declined (Penn World Tables, 2010).

From the late 1960's forward, the economies of sub-Saharan Africa would present a worrisome picture. After independence, the region was already lacking in economic growth, especially when compared to developing countries around the world. Between 1965 and the middle of the 1970's, GDP per capita had increased at a rate of less than 1%

per year, and after that time period, the rate began to decrease to lower levels (The World Bank, 1994, p. 17). When the 1980's came around, many countries had GDP growth at rates lower than they had before independence.

On the trade front, sub-Saharan Africa was suffering the most. By 1981, the region's export growth had fallen to negative levels. This was due to the fact that between 1970 and 1980, agricultural exports had fallen 9% and many countries were importing mineral resources from other places such as North Africa and the Middle East. The region also failed to diversify its exports, depending solely on one or two commercial commodities and about nine agricultural commodities for trade. By 1980, 80% of exports were based on those two primary commercial commodities and 76% of agricultural exports were based on those nine crops (The World Bank, 1994, p. 18).

By the time 1980 came, sub-Saharan Africa had been completely surpassed by the nations it began developing with. Latin America and the Middle East had increased their exports of manufactures to more than five times their levels in 1965, while sub-Saharan Africa's had rapidly declined. The regions of East Asia, South Asia, and Latin America had increased their agricultural exports by 3.2%, 2.5%, and 3.1%, respectively. Africa on the other hand had an initial export growth of 2% from 1965 until 1980, which was less than the rate of their population growth. To make matter worse, this number decreased to .6% by 1980 (The World Bank, 1994, p. 19).

The World Bank realized that this type of stagnation came from a multitude of domestic and international factors that needed to be fixed. On the domestic end there were many things that were occurring within the borders of these nations that did not facilitate growth at all. The fact that the governments were very inexperienced in running a nation resulted in many poorly planned macroeconomic policies coming about. These bad policies included bad agricultural policies, ineffective fiscal policies that gave a great deal of their funds to parastatal businesses, and trade policies that did not create the correct productivity incentives. Also the general distrust that the government and the people had when it came to capitalism and private enterprises prevented the government from shifting the policies toward more effective ones.

Another problem was parallel markets for foreign exchange brought the overvaluation of the exchange rate to light. They had market premiums that were as high as 300% which caused their GDP growth to reduce drastically (The World Bank, 1994). In places such as Ghana, a 200% market premium was causing their GDP growth to decline at the rate of 3% a year from 1974 until 1980 (The World Bank, 1994, p. 23).

When it came to fiscal policy, sub-Saharan nations had created very ineffective ones. The key to a successful policy was to maintain low percentages when it came to budget deficits and government consumption of GDP. By 1980, most sub-Saharan governments were consuming as high as 17% of GDP (The World Bank, 1994). This in turn caused large budget deficits, and stark decreases in GDP per capita growth. To make matters worse, for every 10% of GDP that the government consumes, GDP per capita declined by 1.2%. This meant that even if you disregard all other economic effects, GDP per capita was already set to decline about 2%.

Additionally, much of the money that the governments were consuming was not being allocated correctly. Many times the money went directly in the pockets of government officials and not to needed projects such as infrastructure maintenance. As time went on, this began to have more evident effects. Infrastructure and capital deteriorated while the funds for maintenance went to nothing else of economic value.

Sub-Saharan trade policies also served to hinder economic growth. They originally employed protectionist policies such as tariff and nontariff barriers to effectively reduce the amount of outside competition that was present. From the time of 1965 until 1985, sub-Saharan Africa ranked amongst the least outwardly oriented parts of the world when it came to trade, as based on Dollar's Index of Outward Orientation (Harrold et al. 1996, p 101). These policies proved to hinder the economy because competition breeds productivity incentives and trade restrictions breed price increases.

Other than the policies, more domestic factors took their toll. Political instability in more than half of the region caused civil war and uprisings. Along with this came famine. The lack of economic cooperation that resulted from this instability led to decreases in GDP per capita by .5% (The World Bank, 1994). The lack of skilled workers did not give sub-Saharan Africa any room for growth either. Although school enrollment had improved since independence, the amount of skilled workers was still not enough to propel the region into economic success. The lack of a developed and structured financial sector also dealt a blow to any hopes of growth. They lacked a functional economy, which could have helped them grow had they had one.

On the health end of things, there were diseases that were presenting negative effects for the labor force. Many conditions made it physically impossible for people to work because of the detrimental effects that they had on the human body. The Ebola virus was one of these diseases, and it infected both humans and animals. The disease was so lethal that 88% of the people who contracted it died within seven days. The Human

Immunodeficiency Virus, commonly known as H.I.V., became prevalent in the 1980's and was responsible for many deaths. The nature of the virus is to decrease immune responses to diseases; so many patients were often very sick and weak in their days before death.

These diseases indirectly affected growth for many reasons. Many people used animals for food and transportation purposes. Sick animals meant that they could not be used to transport goods for internal trade and that they could not be eaten. Fatally ill humans meant that they would not be able to do skillful work and earn an income. Not only did this negatively affect the economy because of the loss of a source of productivity, but it also created a dependency burden. A sick person's lack of income means that one person's income has to cover the needs of the sick person in addition to their own. This meant that many people's incomes went completely to consumption, which consequently left nothing to be saved.

Another domestic factor that played a large role in the causes of stagflation was the population growth. From 1965 until 1985, the population was growing at the rate of nearly 3% annually (United States Census Bureau, 2002). With GDP in most countries growing at levels lower than 1% (The World Bank, 1994), the population was growing faster than the economy. Because this caused a lack of resources and consequently a shortage in supply, the prices for goods skyrocketed. These things paired with the policies of protectionism and tariffs made the cost of goods even higher.

Uncontrollable circumstances such as drought made growing crops much harder. During the 1970's many sub-Saharan nations depended on maize for their meals as well as for 20% of their exports (del Castillo and Tschirly, 2007). During the same decade, rainfall reduced by more than 20% in most sub-Saharan regions (Nicholson, 1992). This paired with the naturally high temperatures of Africa made growing maize, or any other crop, very difficult.

This problem was a double-edged sword. On the trade end, they lose one of the few things that they had for export. Without these crops, their leverage in trade deals with other countries was lessened. On the domestic end of it, the inability to grow crops paired with disease-stricken animals presented them with less food sources. This problem inhibits food availability while simultaneously raising prices in response to the smaller supply and higher demand that the large population created.

In addition to these domestic factors taking their toll on the possibility of growth, international factors did exactly the same. Between 1970 and 1986, many industries suffered from a trend of deteriorating terms of trade. Non-oil exporting industries suffered trade losses of 30% while mineral exporters suffered losses of 50%. The corresponding loss of external income led GDP to drop another 5.4%. At the same time, net external transfers to help compensate for the loss of trade increased from 3.7% of GDP in 1970 to 7% of GDP by 1980. This was detrimental because many of these transfers came in the form of a loan, which increased the debt burden on most countries. At the end of the day, the income loss that resulted from the combination of external transfers and loss of trade amounted to 2.7%, and a corresponding loss in GDP per capita of 3.2% (The World Bank, 1994, p. 29).

When trade did occur between sub-Saharan Africa and other nations, the results ended up being detrimental in the long run. Many other nations were creating situations where the terms of trade were unfavorable for Africa. Because of the limited capacity to manage trade terms fluctuations, African nations were forced to create fixed exchange rate policies and fiscal policies that promoted overspending. Even when the outcomes were favorable, such as the coffee and cocoa boom in Kenya during the 1970's, in the long run they were still detrimental. Many countries spent their money too quickly and liberally, and by the time the end of the 1970's came around the boom was over. Unfortunately for them, once government spending was increased but income fell, large deficits were created.

With all of these domestic and international factors working together, it was obvious that the situation in sub-Saharan Africa was critical. In order to try to help themselves, the Organization of African Unity (OAU), a collection of many newly independent and developing African nations, promoted a new idea. This idea was the Lagos Plan of Action. This plan was created in 1980 and proposed as a twenty-year plan that would correct the economy by decreasing the amount of trade barriers and restrictions, increasing savings, and attacking the population problem. In addition to these things, it also included provisions to specifically help the least developed countries and women (Organization of African Unity, 1980). This seemed like a very plausible plan to follow, but the World Bank did not agree.

The World Bank was more inclined to take suggestions from a list put together by economist John Williamson of different things that he believed that the government officials in Washington would agree were in need of repair. This work was later called the *Washington Consensus*, and because of this it will be referred to as such from this point in the thesis. This list included ten specific things that should be points of reforms in developing countries.

These things included fiscal discipline, reordering public expenditure priorities, tax reforms, trade and interest rate liberalization, as well as privatization. These were the parts of the consensus that were meant to cut government spending and induce trade revenues. In addition to these things, the list advocated deregulation, a competitive exchange rate, and as well as the liberalization of foreign direct investment in order to help developing countries become more competitive in the world market and maintain some leverage in trade agreements with larger developed countries. Lastly, the consensus promoted property rights for the people in developing nations to allow the informal sector to acquire property at low costs (Williamson, 2004).

Throughout the 1970's the World Bank had been engaged in many projects and programs in sub-Saharan Africa to help with many of the economic and social issues being experienced. Their insight and knowledge about the region, along with the inspiration of the *Washington Consensus,* led them to develop a plan of their own. In 1981, the World Bank's African Strategy Review Group came up with a report to outline the problems in sub-Saharan Africa and the necessary actions to be taken at that point. This report was *Accelerated Development in sub-Saharan Africa: A Plan for Action*, and because the committee was headed by economist Elliot Berg, it became known as the Berg Report. In the report, Elliot Berg and the Review Group noted many developmental issues in sub-Saharan nations having to do with their obvious need for food sustainability and their lack of trade leverage. In addition to the issues mentioned above, the report noted issues such as the size of the governments, the lack of agricultural development, and the lack of attention to education and training. Mainly, though, the report asserted that the lack of effective policies is what was hindering the growth in sub-Saharan Africa, and reform of those policies could help fix most of the aforementioned problems. The report noted the immediate need for fiscal, trade, and monetary policy reforms because of the negative effects that the current policies were having on the growth potential of the region's economy. In addition to this, the report focused on a more country-specific approach in order to help the problems of each separate country so that it may promote growth for the whole region.

Some of the more specific main changes that the report highlighted were thought of as the ones that were going to revolutionize sub-Saharan Africa. Regionalism was the idea of creating region-specific solutions for all of the countries. The report noted that the landlocked states such as Lesotho, Burundi, and Rwanda were exceptionally poor because of their trade obstacles. As a solution specific for those regions, it was suggested that association with better-endowed countries in Africa would help their economies. This idea was favored because it would promote the loosening of trade terms and promote commerce between countries. It would also promote the spread of culture and ideas by forcing people from one country to go into another (The World Bank, 1981, p. 119).

Another main idea was to reverse urban growth by incentivizing people to move back to rural areas. Many people were going to urban centers in search of employment, but instead living in poverty in slums without basic services, sanitation, or water supply. The migration to the cities also meant that there was a corresponding decrease of people in agriculture. The solution proposed for this was to incentivize people to take jobs such as construction and other labor intensive jobs in order to get them to move back to rural areas.

The need for resource planning was made an objective. The report outlined the need for soil conservation and reforestation to help with the already eroding conditions. By fixing this, it was projected that there would be an increase in possible export crops due to the improved ability to farm. This was to also be paired with policies that promoted a movement back into the rural areas in many sub-Saharan countries such as agricultural subsidies. These were methods to increase GDP growth because fixing the agricultural land while replenishing the agricultural labor force would revitalize agricultural productivity and therefore increase exports. Also, the increase in goods being produced within the country's own borders could decrease the incentive to purchase imported goods and increase the incentive to support their nation's own products and farmers.

Although it is acknowledged that Africa already received more aid than any other region, the report still called for yet another increase in aid. The report made a plea for the region, stating that,

"Aid to Africa must be augmented in the 1980's because, first of all, the continent contains many of the poorest and most vulnerable people in the world. Twenty of the thirty least-developed countries are in Africa, and the remaining African countries are little better off" (The World Bank, 1981, p. 121)

It also cited statistics such as the $500 average per capita income in oil-exporting countries and the projected .1% per capita income growth over the next decade as specific reasons for the requested increase in aid. The fact that oil-exporting countries had such low per capita income was cause for concern because they tended to have the most export revenues when compared to other sub-Saharan countries. The accompanying table, Table 9.1, was extracted directly from the Berg Report and shows the growth patterns of

GNP per person in sub-Saharan Africa from 1960, and also the projected figures with aid from 1980 to 1990. It also makes the projections for the changes given different levels of aid, the low case being up to $5.8 billion and the high case being up to $9 billion.

Table 9.1. Growth of GNP per Person, 1960–90

Country groups	*GNP per person (1980 current dollars)*	*Annual growth of GNP*			
		1960–70	*1970–80*	*Low case 1980–90*	*High case 1980–90*
Sub-Saharan Africa					
Low-income oil importers	260	1.7	−0.4	−1.0	0.1
Middle-income oil importers	520	1.7	0.4	0.0	0.3
Oil exporters	730	0.4	2.6	2.0	2.3
All developing countries	850	3.5	2.7	2.2	3.3
Low-income	250	1.8	1.6	1.5	2.6
Middle-income	1,580	3.9	2.8	2.2	3.4

Source: World Bank, *World Development Report 1981* (New York: Oxford University Press, 1981), Table 1.1.

The decline in GNP per person can easily be seen, and from the projections it is made obvious that aid could fix the problem and raise these numbers.

Regardless of anything, though, it was made clear that the need for increased aid would work for the region if implemented together with policy reform. Special emphasis was placed on policy reform, especially because of the role the current policies had in shaping the current economic situation. It was suggested that new policies be implemented in order to reduce the restrictions on economic growth. The policy reforms were suggested to include new fiscal policies, exchange rates, agricultural policies, privatization, and trade policies.

Ultimately, the report concluded that without help from outside forces, the region of sub-Saharan Africa would have a grim future. The report concluded saying,

"Despite enormous advances since independence, particularly in developing institutions, human resources, and even nations, sub-Saharan African countries are in a crisis that can only be surmounted by the joint efforts of African governments and the donor community (The World Bank, 1981,p. 132)."

It was an obvious call to action to implement a plan to help sub-Saharan Africa achieve growth and development.

From this report, the IMF sought to team up with the World Bank in their efforts to help Africa. The IMF was encountering some skepticism about its function, and therefore aiding Africa was the perfect way to prove its relevance. Together they came up with the idea of Structural Adjustment Programs (SAPs). SAPs were programs that were set up in developing nations in order to aid them in economic and social growth. Many times they come with monetary aid as well as field workers who are sent over to help people understand the changes and implement them directly. The aid typically comes in the form of a loan, and repayment agreements are set up before the funds are given to the recipient country.

When it came to Africa, these programs were put in place to accomplish a vast array of changes. The goal of the programs was ultimately to provide funding to struggling African nations, otherwise know as Heavily Indebted Poor Countries (HIPC), in order to help them build infrastructure, increase the value of their currency, make them more prominent in world trade, and decrease government spending and corruption. The funding came with strict conditions set by the IMF. The first of these conditions was to implement a strict government budget so that the government could save and invest in capital and infrastructure such as roads, buildings, telephones, sewage, and energy. Secondly, the program called for the government to privatize public services because much of their government funding was going toward services such as health care and education. By reducing these expenses, the government budget would become progressively easier to implement because of the smaller amount of costs from the public sector. Also, these conditions stated that it was required to push a certain amount of income toward investment. This would ensure that a certain amount of government spending would go toward the things they needed such as bridges, roads, and buildings. Lastly, these programs called for special attention to be paid to health and population. Many countries were required to provide some sort of family planning resources as well as a source for sexual education and protection.

There were three types of policies that Structural Adjustment Programs were divided into. The first were expenditure-reducing policies which reduced demand in order to reduce the budget deficit. These types of policies were typically seen in the form of the government budgets and parastatal liquidation. These parastatal liquidations were the IMF and the World Bank’s way of moving the businesses in these countries toward privatization and away from dependency on government funding. The second were called expenditure-switching policies which aimed at switching from consumption to investment. These policies are where the privatization was important in order to allow the government to save enough revenue to invest in infrastructure. The third set of policies were institutional and policy reforms. These types of programs included the reform of all policies in place including the trade policy, exchange rate policy, and social policies in order to identify the problems within them and make them more economically efficient. These policies promoted a more laissez-faire economy and privatization (Suliman, 1999).

In addition to all of these regulations, many nations were required to take on large loans from the IMF and the World Bank in order to achieve these goals. Over the decade from 1980-1990, the region of sub-Saharan Africa was scheduled to collectively have a loan of over $17 billion, because that was how much money the IMF and the World Bank would need to give them in order to make progress (Stein, 2008).

Given all of these circumstances, Structural Adjustment appeared to be the best program for Africa for many reasons. Primarily, placing many African nations on strict rules and regulations was the only way to get them to generate the type of investment needed to produce sustainable economic growth. By reforming and restricting the government budgets, it forced people to ration their money more efficiently to cover costs not covered by the government anymore. Also, these programs were a good way to help train the government officials in the ways that would give them an efficient economy to deal with. Because many of these officials were new and inexperienced, these programs gave the leaders the guidance they needed. Lastly, because many recipients get funding from powerful donor nations, these programs would give them the support they needed from more experienced nations like the United States.

Overall, SAPs seemed like the ideal way to reform sub-Saharan Africa. Their planning included great attention to detail as well as acknowledgement of the difficulties. In the 1980's SAPs would become the trend for aid that took over Africa.

III. Implementation of Structural Adjustment Programs

When Structural Adjustment Programs were initially implemented, there were many questions as to how they were going to be funded. Being that the main contributors to the idea of Structural Adjustment Programs were the World Bank and the IMF, they ultimately served as the main financial resources. Although these institutions had given aid to many African nations before, there would be a new dynamic now. In the 1950's and 1960's, the World Bank was giving Africa tons of aid, but it was very focused on developing the infrastructure of the countries first, and then giving supplemental aid to areas of focus such as agriculture, finance, industry, and social aspects. To be more specific, in the decade of the 1960's, they focused 64% of aid on building infrastructure, 12% on finance, 13% on agriculture, and 4% of funds toward social aspects (Stein, 2008, p. 11). The main idea behind them doing this was that if they focused funds on infrastructure such as roadways and buildings, then every other aspect of their economy would most likly gain some efficiency. In the 1970's, the OPEC oil embargo and other global recessions were occurring and African revenue began taking a hard hit. The revenues that were lost were what supported all of the other aspects of the economy before, and therefore the World Bank now had to pick up the slack. This meant that the World Bank funding would be spread much more evenly amongst the different sectors instead of focusing on infrastructure, as seen in Table 2.

They decreased funding to infrastructure from 64% in the 1960's to 36%, and increased the amount of aid to agriculture from 13% to 28% (Stein, 2008). Africa's agricultural economy proved to need more help especially since the 1970's brought a drought to their crops. Then in the 1980's, with the implementation of the Structural

Adjustment Programs, the World Bank was driven by African need to spread their funds out much more and give almost equal amounts to all sectors.

Table 2: World Bank lending by sector
(Kapur et al., 1997; Stein, 2008)

Sector		1950-1959	1960-1969	1970-1979	1980-1989	1990-1994	1995-1999
Agriculture		4	13	28	24	15	11
Finance and Industry		13	12	16	18	10	13
Infrastructure		61	64	36	29	26	21
Social		0	4	13	15	27	26
Other		22	8	8	15	22	28

**Other includes oil, gas, mining, public sector management, multisector, and tourism*

The IMF on the other hand took an interest in the sub-Saharan region much later. During the early stages of the Structural Adjustment Programs in 1980, they gave $4.39 billion to this region, but their money came with strict stipulations of the conditionalities discussed before. The IMF implemented government budgets in order to increase savings. To do this, the IMF forced the privatization of businesses and public services. Privatization was necessary because the majority of public services were funded by government aid and many of the businesses were parastatal businesses, or government-owned enterprises. The public services, especially the parastatal businesses, were operating inefficiently and producing negative returns, so the government was wasting money by bankrolling them. By forcing people to pay for these things privately, the government would not have to use funds for them, and therefore they would be able to save money and invest in useful projects. It would also help lower the budget deficit.

The devaluation of currency was also necessary in order to encourage exports again. The devaluation of the local currency would make buying goods in sub-Saharan Africa more favorable on the global market, and therefore their level of exports would be revived. Import demand would also be slowed because imported goods would be more expensive for natives of these countries to buy within their borders. With foreign goods being more expensive, the domestic market for goods would be revived would diminish.

Another aspect of implementation was the question of which countries to aid and how much money to give them. This question created a great divide among the more powerful countries throughout the world. The United States sought to give money to each independent country. Their reasoning for this was to establish American ideals and diplomacy within the developing governments. Because most countries became independent in the 1960's and in the middle of the Cold War, the United States thought it very important to send people over to help in Africa to make sure that their thoughts were not swayed toward communism. France was very focused on maintaining its influence within the countries that were recently French colonies. They wanted their ideals, language, and culture to stick around so that they could still maintain favorable trade relations. Their top recipients were Senegal, Ivory Coast, Madagascar, Cameroon, and Gabon, which were all nations with heavy francophone influence. Sweden on the other hand was much more selfless in whom they gave their aid to. They chose which countries they gave to by simply identifying which ones were the poorest. Because of this their top recipient countries were Tanzania, Mozambique, Ethiopia, and Zambia. Lastly, Italy also sought to give aid to those countries to which it had historical ties, and therefore they gave aid to the countries in the Horn of Africa such as Eritrea. All of these countries were working with the World Bank and IMF to provide aid, but, as you can see, most of them had their own political agendas attached (Lancaster, 1999).

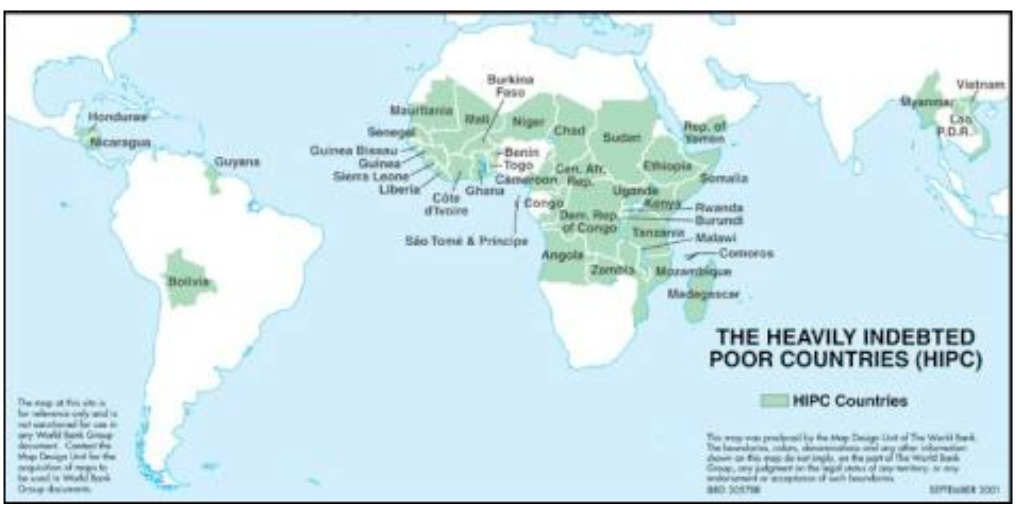
Overall, over thirty of the Heavily Indebted Poor Countries of sub-Saharan Africa implemented some sort of adjustment program, regardless of donor interest. The table below shows a list of the top recipients of aid from Structural Adjustment Programs, and the map below shows all of the countries receiving aid. Nigeria is not noted on the map because at the time of adjustment it was not considered a Heavily Indebted Poor Country (International Monetary Fund, 2007).

Table 3: 24 Top Recipients During Structural Adjustment Period 1981-1987

Benin	**Burkina Faso**	**Burundi**
Cameroon	**Central African Republic**	**Chad**
Congo	**Cote d'Ivoire**	**Ethiopia**
Gambia	**Gabon**	**Ghana**
Kenya	**Madagascar**	**Mozambique**
Mauritania	**Niger**	**Nigeria**
Senegal	**Sierra Leone**	**Tanzania**
Zambia	**Zimbabwe**	**Zaire**

(The World Bank, 1994)

Figure 4: The Heavily Indebted Poor Countries



(UC Atlas of Global Equality, 2001)

IV. Implementation and Results of Structural Adjustment: A Case-by-Case Study

Structural Adjustment Programs had different effects on the many different countries that they helped, mostly because they all were in their own unique situations prior to adjustment. This section will have subsections that discuss the effects on three different sub-Saharan countries.

Burundi:

Years of Adjustment: 1986-1991

Setting:

Burundi started out as one of the poorest nations, with a per capita GNP of only $210 (The World Bank, 1994, p. 12). The country is situated in landlocked and hill-ridden land, which made coffee one their only possible exports. When adverse weather came around, they were not even able to grow coffee at an efficient pace, which was very detrimental to their export industry. Also, because of their location, they had few roads to travel, which made transportation costs high.

When it came to GDP growth, Burundi started out growing at a rate of 5% annually in the 1970's, due in part to the high coffee prices at the time, but they soon experienced stagnation when their growth rate slowed to 1% and stayed at that level. During the time they were experiencing GDP growth, the government began to spend a lot of money on the public sector because they thought their economic success was permanent. When their success finally tapered off, their expenditures failed to do the same, and it caused a situation where the government had larger expenditures than it did revenues.

Because of this, by 1980, their budget deficit had reached almost 19%. They were also experiencing a decrease of supply of goods such as coffee due to the adverse effects caused by the weather and bad global economy. The decrease in supply led to increase prices, and consequently with wages remaining the same people's purchasing power decreased. The cost-push effects of the decreased supply led to a rate of inflation that was over 14% (Husain and Faruqee, 1994, p. 13). To add to this, the exchange rate of their currency, the Burundi franc, appreciated 8% in 1980, which caused people to buy imports more since weather and geography only allowed them to produce very few goods within their borders and people wanted to consume more goods. This was a huge blow to the agricultural sector, as exports decreased significantly. To deal with their losses in revenues, they began to borrow externally, which made their debt double to 23% by 1985. To make matters worse, the population grew at a rate of 3% a year, which maintained the high dependency burden on each family. At the same time, the average life expectancy was age 49, which indicated the presence of factors such as disease that made the population unhealthy and unable to work. These things took a heavy toll on the labor market (Husain and Faruqee, 1994, p. 13).

The government tried to impose its own policies to fix the situation, but they kept imposing expansionary fiscal policies, which require increases in government spending. These policies made the situation worse because the government was spending money that it did not have. The failure of the government to impose the correct contractionary policies to restrict funding created a situation that made Burundi one of the poorest countries in the world.

To sum this all up, Burundi was facing a situation with high dependence on one crop, a diminishing agriculture sector due to the incentive to buy imports, and a government that was rapidly increasing its debt and budget deficits by allocating great deals of money into a public sector that was performing badly. The people faced high costs and low incomes, which made the cost of living very high. The IMF and the World Bank intervened because of their obvious need for stabilization.

Implementation:

The IMF and the World Bank diagnosed Burundi's main problem as not being able to efficiently allocate funds and maintain expenditures. They were spending too much on non-developmental projects instead of ones that yielded an economic benefit such as infrastructure projects. Therefore their primary goal was to implement macroeconomic reforms on their fiscal and monetary policies while simultaneously reforming their trade and exchange rates in order to produce revenues.

The reforms for the fiscal policy included many things to make it so that funds were allocated more efficiently. First, the adjustment program called for the Burundi government to reduce the size of their public investment program while still maintaining some sort of allocation to its major sectors like agriculture. This was done to eliminate all the wasteful spending that was going toward projects that yielded no returns, and to rejuvenate the one of the main sources of exports and revenue that they did have. The reduction of public investment was also to come with an investment plan that was compatible with the resources that they actually had, instead of using resources such as borrowed funds from external sources. This would cut down on the debt ratio and the budget deficit.

Next the government reform called for the merger of their ordinary and extraordinary budgets in order for it to be made clear where money is going and where money was coming from. They clearly identified and separated current revenue, current expenditures, and capital revenue. This would make the budget more organized and operable while eliminating overspending on certain projects. Doing this would require strengthening the agencies that dealt with the finances in order to accurately monitor project expenditures and implementations. Having these things in place would allow for the government to rationalize expenditures, and focus them toward the most important sectors of their economy that were underfinanced: health, agriculture, education, and transport. By doing this, these sectors would be revitalized and the labor and export markets would begin to operate efficiently again.

The last macroeconomic fiscal policy reforms involved were using the excess from the slimmer and reformed budget to fund investment-related costs and quality basic public services. This would improve the quality and efficiency of public expenditures. They also wanted to switch outside funding for these projects from loans to grants to decrease their debt burdens.

All of these changes were to take place as a three-year rolling public investment program in order to reform how their money was being acquired and spent. At the end of this term, the aim was for the major public sectors to no longer be underfunded due to expenditures on less important goods, and for the debt burden to be decreased substantially.

The reform of monetary policy sought to reduce inflation, improve the balance of payments, and promote resource stability via stabilization of real interest rates. The main goal of these things was to set monetary targets for credit in the economy and government. The idea behind this was to decrease government credit and reallocate it toward the private sector in order to increase consumer spending. The consumers having the credit gave the incentive for them to spend on various goods and services, which would help to stimulate the economy.

When it came to trade, Burundi normally had a fixed exchange rate that was pegged to the foreign currencies of large developed nations such as the United States. The problem with this was that even when inflation started to rise and their current account balance started to deteriorate, they were still paying the same high prices for imports, even though they could no longer afford them. It was because of this that the IMF sought to liberate the exchange rates so that they can adjust to the current market environment. They also sought to devalue the Burundi franc, the local currency, in order to make buying coffee from Burundi more attractive because it would be cheaper for foreign nations. This would stimulate exports again, which was critical because it was the main source of the Burundi government's revenue.

Trade liberalization was also key for stimulating exports again. In previous years, Burundi had protectionist trade policies that were in place to limit competition. The IMF and the World Bank sought to lift regulations and trade controls in order to ease and facilitate competition between the Burundian sellers and those on the world market. They planned to reform the current system by reducing the costs of trade with Burundi. They aimed to reduce the number of duties from 3 to 2 and decrease the duty rate from 57 to 5 (The World Bank, 1994, p. 36).

To promote exports, the IMF and the World Bank decided to take a supply-side approach to make selling goods made in Burundi easier and more attractive. The program wanted to deduct market expenses for any costs incurred by selling abroad. They also wanted to make it simpler for businessmen to travel abroad in order for them to bring their goods to other potential buyers. These things would facilitate exports because it allowed businessmen different alleyways in which to promote and sell their goods. The IMF implemented this idea of trade liberalization because increased competition often leads to increased productivity in order to stay alive in the economy. Those who do not step up their productivity to compete will most likely begin performing below the break-even point, and would be forced to exit the market. Because it was believed that the amount of productivity growth was being hindered by protectionism, adding competition was the only way to fix this.

To complement the process of trade liberalization, prices would be deregulated because the fixed market prices that were in place hindered the ability for prices to adjust with the economy. Most prices were to be liberalized unless some good became scarce, in which case that good would be subject to slight price controls. The IMF and the World Bank agreed to let food crop producers have established prices for cash crops, only because it would provide an incentive for people to participate in growing these crops again. The cash crop prices could be set at a higher price level to incentivize people to participate in agriculture, which was what Burundi’s economy was dependent upon. Those crops were also allowed to have set prices because they had large seasonal upswings in demand, and their elastic nature would mean that any increase in price could drastically decrease demand, which is the last thing their economy needed. Other than these goods, though the main objective of this price liberalization was simply to let prices respond to market forces naturally to create a more stable economy.

The largest macroeconomic reform that happened to Burundi was the reform of their public enterprises. The World Bank wanted to cut wasteful spending by drastically reducing the number of public enterprises and improving the functioning of those that remained. This reform was very vigorous, as many public enterprises were liquidated because they were deemed “beyond redemption” because of their history of negative profits. They also placed struggling public services under the watch of World Bank officials in order to monitor their progress and possibly condemn them to liquidation as well.

At the same time, the World Bank and the IMF conducted studies on many enterprises to see which had the potential for privatization. The government had agreed to progressively reform its participation in the public sector in order to save funds for investment. In Burundi, services like coffee-washing and coffee hauling used to be paid for by the government, but now had to be funded by the seller of the coffee. This regulation was passed purely to complement the budget changes that had been made and to ensure that government spending was being applied to the vital enterprises that would be useful to the growth of the economy.

Lastly, the government sought to implement social reforms and try and alleviate poverty. Because of this goal, the World Bank teamed up with UNICEF to target things such as child nutrition and food sustainability. They did this in order to potentially increase the number of healthy people in the country who could possibly work. By focusing on target nutrition, it ensured that children were able to give their labor efforts at younger ages because they would be able to develop correctly and without serious illness. They also focused on women's health, development, and education because women were an integral part of the agricultural workforce and keeping them healthy keeps productivity higher. The key to these social reforms was to revitalize the health of the people in order to rejuvenate the labor supply that had been so harshly affected by starvation and disease.

Results:

A significant amount of the efforts to reform Burundi proved to be unsuccessful. The set targets for these reforms were to yield a 4% growth rate, an inflation rate of less than 10% and an external debt service ratio reduction of 18.5% by 1989. They set more ambitious goals to be reached by 1991, such as 4.5% GDP growth, 4% inflation rate, and 5% overall budget deficit. To add to it, they wanted to bring the debt service ratio down from 44% to 32% (The World Bank, 1994, p. 54). Many of these things did not occur.

Real per capita growth only registered at a rate of 0.3% during the period of adjustment. The debt-to-GDP ratio grew to almost 16%, meaning Burundi piled on even more debt. The world coffee prices fell, causing Burundi to see a 3% drop in exports that continued long after adjustment. This drop in exports caused there to be a 4% decrease in the share of agriculture in GDP, which was a detriment to Burundi because agriculture was their main source of income. Furthermore, the coffee market specifically suffered an overall drop in percentage of total goods. Before adjustment, they registered a rate of

86%, but during adjustment fell to 79% (Husain, 1994, p. 56). This signaled an overall drop in trade revenues because coffee was the top export crop in Burundi.

Even more disappointing was their savings and investment statistics, especially since that was what the macroeconomic reforms set out to change. Investment started at a low 17%, but decreased to 11% under adjustment. Consumption as a percentage of GDP stayed at a record 98% while savings dropped from 2.7% to 1.7%. Overall, during adjustment, many people were forced to spend more.

On the debt end, the IMF and the World Bank's assistance averaged $192 million annually during the period of adjustment. This caused the amount of public foreign debt to go from 25% of GDP before adjustment to 74% of GDP afterwards. The corresponding debt service ratio increased from 14% to 37% over that same time period.

There were some successes in Burundi, though. Although GDP growth did not hit its target of 4.5%, it did register at 3.9%, which is better than the 1% they had stagnated at during the late 1970's and early 1980's. They also experienced growth in the agricultural realm. Physical production of food crops grew an average of 3.1% annually, and cash crops grew by 16%. This helped to increase the food sustainability in Burundi since the majority of the crops grown to produce this increase were bananas, rice, and tubers such as potatoes. Although small, another victory for the adjustment programs in Burundi was that rural household income increased 0.9% during adjustment, when it only increased 0.3% before adjustment commenced. Civil servant wages increased 5% annually as well. Inflation was also lowered in the rural areas, which meant that the people living there received a boost in purchasing power (The World Bank, 1994, p. 67.)

Success or Failure?:

Overall, adjustment in Burundi proved to be a failure, mainly because every success that it accomplished came with a pitfall. While cash crops and food crops did grow, their main crop, coffee, failed to grow along with them. Being that coffee made up a significant amount of their export revenue, the failure of that crop meant that overall agricultural revenue was in decline. This was also another signal of their declining exports, which was bad because increasing exports was supposed to be one of their most effective mechanisms for increasing revenues for the government. Also, the increase in income for the rural sector helped them, but the increase was not enough to cover the already high costs. Because 94% of Burundi lives in rural areas, a large source of their income problems had to do with their distance from schools, health care facilities, and drinkable water (The World Bank, 1994). The programs that were implemented failed to take this into account. This problem paired with the 6.5% increase in consumer prices of goods greatly decreased their purchasing power when all was said and done (The World Bank, 1994, p. 52).

Also the fact that the debt had accumulated during adjustment, $1.34 billion from the IMF and World Bank alone to be exact, placed them in a situation to be repaying debt for years. The fact that they consumed 98% of the GDP meant that their ability to repay was severely compromised. On the micro level, individuals under adjustment had to incur many costs due to privatization, especially in the coffee industry. The government stopped paying for many fundamental services they provided for coffee producers, and therefore the people had to incur the costs themselves. These programs made the overall cost of producing coffee more expensive because of this, which contradicted their efforts to revive the coffee market. The privatization of these services previously provided for the coffee industry also provided an incentive to buy imported coffee, since the domestic coffee was now made more expensive due to higher production costs. The decline in the price of coffee paired with the rise of the production costs made producing the one crop Burundi depended on unattractive.

Privatization also contributed directly to the decreases in the savings and investment rates because it increased the personal costs for many individuals. Because privatization made public goods suddenly cost money, the overall cost of living was increased for the people of Burundi, and they therefore did not have enough money to live on and save.

Overall, due to per capita growth being lower than before adjustment and debt being higher than before adjustment, we can deduce that Structural Adjustment Programs in Burundi left the country worse off than before they began. With these two statistics being at record levels, it would be very difficult for Burundi to sustain economic growth while servicing the large amount of debt that it incurred during adjustment.

Nigeria

Years of Adjustment: 1986-1992

Setting:

Nigeria's development before adjustment is broken into three periods, all of which are relevant to their need for Structural Adjustment Programs. The first of these periods was from 1973-1978, which was a period under military rule. In 1970, Nigeria experienced an oil boom, which quickly propelled oil to the number one export in their economy. The 1973 OPEC oil embargo made buying oil from Nigeria very favorable, and because of this oil accounted for 90% of the value of Nigerian exports and 80% of total export revenue (The World Bank, 1994, p. 239) Even when OPEC rules required Nigeria to reduce oil production and exportation, they were still exporting large amounts of oil to other countries and bringing in a large amount of revenue from their oil supply.

The high revenues provided the government with a great source of funds, which the government allocated effectively. Much of their revenue was being used to build infrastructure, fix roads, create transportation facilities, and foster new educational opportunities. Between 1971 and 1977, government expenditures on development projects had quadrupled and investment as a share of GDP grew from 12% to 25%, with most of this money coming from oil revenue (The World Bank, 1994, p. 240).

Until 1978, Nigeria maintained a steady revenue surplus, which was what they needed to cover their project spending. In 1978 though, expenditures began to pass revenues, and the state budget started to show a deficit. The Nigerian government began to get worried, but the second oil boom of 1979 reassured them that they could keep consuming at the same rate as they did earlier in the decade.

In 1979, the second period of Nigerian development was in full swing, the period under civilian rule. When President Seghari took over, the economy was still in good condition. Terms of trade in 1980 were double what they were in 1976, and oil revenues were hitting record highs. The government took this as a signal to increase expenditures, even to levels higher than they were during the first boom. This decision turned out to be detrimental. Public expenditures outweighed revenue, and by the end of 1980 Nigeria had acquired a budget deficit. Overall GDP only grew 4.2%, which was less than half of their 1974 GDP growth of 11% (The World Bank, 1994, p. 240). The petroleum sector declined rapidly in 1980, declining almost 12%. Consequently, because oil was 90% of exports for Nigeria, export values decreased 9.5% and import values grew by more than 27% (The World Bank, 1994, p. 241). The new terms of trade variations caused by the switch to imports caused large changes in real income. During the boom, incomes grew 200% to their peak in 1980, but by 1983 they had already started to decline 60% (The World Bank, 1994, p. 241).

To deal with these new circumstances and fiscal imbalances, the government began to take on debt by turning to external sources. The Seghari administration believed that the downturn in the oil sector was temporary and that they just needed funds to cover their current projects and deficits. Also, the Nigerian exchange rate appreciated during their decline in oil revenues, preventing the government from allocating resources efficiently enough to buy imports. The Nigerian government began to ration foreign exchange, and implement heavy trade restrictions like tariffs, duties and import licenses. They also cut public investment while simultaneously raising oil prices in order to decrease their expenditures to a point at which they were lower than revenue again.

These efforts did not work. By 1983, oil prices were down 45% and the GDP growth rate was at -6.7%. Also, the current account deficit was at 6% of GDP and the budget deficit to GDP ratio hit 13%. These decreases in revenue and increases in costs caused a decrease in individual income, with urban income having declined 34% and rural income declining 20% (The World Bank, 1994, p. 142).

The efforts to reverse the decline of the Nigerian economy did not work because the administration still employed expansionary policies when it came to public expenditures, causing their budget deficit to grow. The Seghari administration also refused to devalue their currency to revive their exports, which kept their revenue from exports in a constant decline from 1980 until 1983.

During this economic downturn, the military took over again to bring about the third developmental period before adjustment. The Buhari military government was a strict task force that sought to control public expenditures in order to create revenue. In order to do this they froze wages of employees in the Nigerian labor force, especially those working in parastatal businesses. This was to increase profits for parastatal businesses and potentially negate the effects of their negative returns. They also required user fees for education and health care in order to reallocate some of the costs from the government to the consumer. These reforms originally worked, decreasing the budget deficit from 13% to 3% in 1 year.

The decline in public sector spending and the continued funding of parastatals, or government-funded enterprises, was also accompanied by the closing of plants and factories that were import dependent. This led to a 22.7% decrease in imports, but did not increase exports at all (The World Bank, 1994, p. 243). At the same time as the decline of imports and the stagnated low export level, domestic prices increased and inflation increased to 40%. All of these new costs and increases in the public sector paired with price hikes and inflation caused savings and investment to decrease. Investment decreased 12% as a result of people's inability to save and invest (The World Bank, 1994, p. 243).

The budget deficit increased by 7% again in 1985, and the Buhari military government refused to take the necessary measures to fix it. They refused to devalue their currency in order to spark exports and they refused to liberalize imports, which could provide the competition they need to spark productivity. Because of this, in 1985, the Babangida military government came to power and declared an economic emergency. By then their terms of trade were declining rapidly and the price of oil was at only 35% of its peak 1980 level (The World Bank, 1994, p. 243). These things caused them to turn to the IMF and the World Bank to set up Structural Adjustment Programs in Nigeria.

Implementation:

The World Bank and the IMF agreed that the areas in need of reform were the exchange rate, fiscal policy, monetary policy, trade policy, price regulation, and parastatal performance. They implemented the parts of the program in four phases because of the changes in approach that occurred during the time of adjustment. During phase one, starting in July 1986, many crucial reforms were immediately implemented. Simultaneously, the Nigerian naira was devalued, the import license system was eliminated, and the commodity boards ceased to exist. All of these changes were done immediately to in order to stimulate trade as soon as possible. Since during the time when when Nigeria was economic success, Nigeria was an efficiently trading country, lifting any trade barriers right away would begin to create incentives to trade with them. This would increase their terms of trade, which would help to increase real income.

This phase also came with tight fiscal and monetary policies to reduce inflation in order to make the goods from Nigeria more attractive to buy. They also set out to allow the exchange rate to be market determined instead of fixed to ensure that it did not reach overvalued levels. This time also came with the continuation of privatization that the Buhari government had started in order to reduce government expenditures, but also pairing it with the commercialization of public enterprises in order to ensure new goods made it to the market, which would help with their diversification of trade.

The second phase of adjustment got a rocky start in January of 1988. The programs were initially stalled due to the economy adjusting to inflation and rising food prices. Ultimately the government settled on lowering interest rates, not increasing oil prices, and implementing a $600 million reflationary fund that would increase the money supply and decrease taxes (The World Bank, 1994, p. 246). These types of policies are often used at the end of a recession or any kind of negative economic shock in order to stimulate spending and output. This would increase Nigerian spending because increasing the money supply, while simultaneously decreasing the costs of buying goods, gives the people an incentive to purchase more goods in the market. This would help stimulate the amount of goods being sold in their non-oil sectors of the market, which would help to break their economy's dependency on oil revenue. This would also lessen the negative effects on their revenue that occur when shocks to the world's oil market happen. These policies would also help further the efforts to reverse the negative consequences that the previous trade protectionist policies had on productivity incentives. By decreasing costs, which increased individual purchasing power, this phase of adjustment was aimed at stimulating domestic revenue and ultimately GDP growth.

The third phase began in early 1989 and focused on tightening monetary and fiscal policies in the 1989 budget. This phase aimed at reducing the expansionary policies that were implemented previously to ensure that the budget deficit did not grow. This phase also set out to decrease the amount of parastatals that existed because a great deal of government expenditures were going toward them. They sought to eliminate the parastatals that were yielding low returns, which made them unable to even cover their operating costs. This in turn would give the government the ability to save more of their funds.

The last phase started in June of 1989 and was aimed at political reform. This phase focused on helping the government make better policies to stimulate their economy. This phase was most intense during the oil boom of 1990 and 1991 from the Gulf. At this juncture the IMF and the World Bank sought to control government spending and focus on long term spending instead of short term spending. The focus also remained on government expenditures not exceeding revenues because of the potential for an abrupt bust in the oil market.

Results:

Nigeria experienced growth in many sectors after their adjustment period ended in 1992. When it came to productivity, one signal that productivity increased was the increase in output. By the end of adjustment, output had grown by 9%, which is the direct effect of a productivity increase. When it came to inflation, inflation had gotten as low as 6% at the end of 1986, but soon increased back up to 11% (The World Bank, 1994, p. 264). This was still a 29-percentage point decrease from the 40% inflation rate that existed in 1980. Unfortunately with the reflationary budget that was implemented in 1988, the inflation rate soared back up to its original level.

On the trade end oil still dominated, and had started to see some increases in 1989. By the end of the Gulf War in 1990, oil prices skyrocketed and created vast improvements in the Nigerian balance of payments and fostered a large current account surplus. In 1991, though, when the budget deficit grew as oil prices fell, the balance of payments deficit increased to four times its 1990 level (The World Bank, 1994, 265).

Nigeria also racked up a great amount of debt during adjustment. As you can see from the table below, within a year of Structural Adjustment Programs starting in 1986, Nigerian debt had increased by almost $10 billion. The 1986 public debt was at about $19 billion increased to approximately $28 billion in 1987. Previous to that time period, the debt had only increased by increments of $6 billion or smaller from year to year. By the end of the adjustment period, debt outstanding was up to over $33 billion.

Table 5: Evolution of Outstanding Debt, 1980-91

(US$ millions)

Year		Net Borrowing+	Revaluations+	Rescheduling and Reductions=	Total Flows	Public Debt Outstanding
1980		1,122	-105	0	1,017	4,284
1981		2,256	-178	0	2,078	6,362
1982		2,917	-173	0	2,744	9,106
1983		1,723	-569	1,920	3,075	12,181
1984		-302	-832	345	-788	11,393
1985		-1,075	1,406	1,416	1,747	13,139

1986		94	1,646	4,277	6,017	19,156
1987		991	3,070	5,247	9,308	28,464
1988		357	-1,387	1,624	594	29,058
1989		871	-81	1,146	1,937	30,994
1990		-543	2,221	-87	1,592	32,586
1991		-91	41	716	666	33,253

(The World Bank, 1994, p. 271)

On the investment end, total investment in 1983 was at 16% of GDP. By 1986, investment decreased more than 50% to 7.37% of GDP, and by 1990 total investment increased back to 12.4% of GDP (The World Bank, 1994, p. 269). Private investment and public investment also followed the same trends, decreasing at the beginning of adjustment and increasing again by 1990. Although the levels were lower than their original state, they did manage to get the levels to follow an upward trend again by the end of adjustment.

GDP also increased during the time of adjustment, boasting an average increase of 5.4%. Although GDP increased overall, the first year of adjustment boast a 9.8% GDP increase, the rates steadily fell until 1991. Though this fact is true, overall GDP growth during adjustment is higher than the rate of growth before adjustment started in 1986 (The World Bank, 1994,p. 265). The table below shows this trend.

Table 6: Growth of Real GDP, 1980-91

(Percent)

Year	Rate of Growth
1980	4.2
1981	-10.7
1982	-0.8
1983	-6.7
1984	-4.3
1985	9.3
1986	1.7
1987	-0.2
1988	9.8
1989	6.7
1990	5.6
1991	5.1

(World Bank Data, 1994)

Success of Failure?

The Structural Adjustment Programs implemented in Nigeria had many successes as well as failures. They did experience more rapid overall GDP growth during the period of 1986-1991 as compared to 1980-1985. GDP is one of the most useful economic signals that tell us how a country is doing over all because of its all-inclusive nature.

Because GDP includes a vast majority of the economic functions that go on within a specific economy, a significant growth indicates that the reforms implemented had a positive impact.

Investment also rose, although not higher than their original levels. The decline in investment came around the same time of the initial government budgets, which consequently caused people to have to pay for more goods, and therefore gave people less discretionary spending. This meant that people had less money to save and therefore less money to invest in other goods. By the end of adjustment though, they were able to get total investment to increase 5 percentage points, which signals that it was on its way back to its original state.

With regard to the failures, the inflation instability ranks high. Inflation going from 40% to 15% in 1986 and back up to 50% in 1989 was a detriment to the market. Instability in the monetary policy created the instability with the inflation rate, which was one of the things that was targeted by the reforms. Also, even though the balance of payments deficit disappeared in 1990 when the trade surplus peaked, a deficit that was four times the size of the pre-adjustment balance of payments deficit reappeared. This placed Nigeria back in an unsatisfactory trade situation.

The increased debt on Nigeria made any growth that they gained during adjustment impossible to sustain. At the end of adjustment, their $33 billion debt, even with rescheduling and reductions, will place a debt burden on them for years. Adding almost $10 billion when adjustment was implemented to the $570 million per year that Nigeria was already borrowing will keep them in debt for decades.

Structural Adjustment Programs in Nigeria were successful at some points, but the failures of the programs devalue those successes. The huge debts and inflation instability makes any of the successes they sustained impossible to keep up. Simple servicing of the debt from the end of adjustment on will take a significant piece of the government budget just to pay the interest on the loans. Eventually, GDP growth will be negative due to the prolonged effects of the inflation problems and debt. GDP growth was already erratic at the end of adjustment, which already signals the negative effects that the economic instability had on their economy.

Ghana:

Years of Adjustment: 1984-1991

Setting:

Ghana was initially poised to be a world trade mogul by the time they gained their independence in 1957. They were rich in gold and minerals, but most of all they were rich in cocoa. In 1965 Ghana produced 560,000 tons of cocoa, which was about 34% of the world output (The World Bank, 1994, p. 156). This was just enough to satisfy the British sweet tooth, and therefore their exports and revenue were considerably high.

Unfortunately, this production did not last, and cocoa production fell to 400,000 tons in 1975 and finally 160,000 tons in 1983 (The World Bank, 1994, p. 156). At the same time of Ghana's declining output, Cote d'Ivoire, a neighboring country, was producing cocoa much faster. They had increased their share in the world market from 13% share to 30% share in the same time it took for Ghanaian productivity to decline

(The World Bank, 1994, p. 156). The geographically close competition was a significant contributor to Ghana's export decline.

The government's agricultural policies are what led to the decline in cocoa production. The government began to overtax cocoa farmers, which consequently drove people away from that sector because it became increasingly expensive to produce cocoa. The effects of the taxes, along with other factors, resulted in a decrease in government revenues from 20% of GDP in the 1970's to 5% of GDP in 1982 (The World Bank, 1994, p.156).

Government expenditures proved to have negative effects on the economy. Government expenditure was rapidly increasing independent of their budget constraints. From 1972 to 1982, the government outlays increased from 587 million cedi, the Ghanaian currency, to 11 billion cedi (The World Bank, 1994, p. 157). The expenditures were constantly higher than the revenues year by year. During this same time period, the Ghanaian government gave grants and capital funding ranging from 15% of their total expenditures to 25% of total expenditures to public enterprises, which did nothing but increase the budget deficit. During 1976, their budget deficit became as high as 11.3% of GDP and steadily increased by 7% of GDP from there (The World Bank, 1994, p. 157).

The exchange rate policies in Ghana were their other main source of economic distress. In the 1970's inflation was high, but the Ghanaian government refused to devalue the cedi because they considered it a political taboo. The Busia administration of 1971 tried and it led to nothing but riots and a military coup, so the current administration decided devaluation was bad because of the possible effects.

In 1979, the government of Ghana finally agreed to devalue the currency from 1.15 cedi per U.S. dollar to 2.75 cedi per dollar. This change came too late. The devaluation was done in order to make foreign currency have more purchasing power in Ghana, and therefore provide and incentive for foreign countries to purchase their goods. Unfortunately, at the same time that this change took place, the inflation rates rose very high. This effectively made Ghanaian goods more expensive again, voiding the effects of the devaluation.

Ghana was also failing when it came to capital and infrastructure. Roads were in desperate need of repairs, railroads had just ceased to operate, and the ports were slowly disappearing as well. They needed to keep these three things intact because that was their pathway to trade with other people and other nations.

Implementation:

The IMF and the World Bank implemented adjustment programs that set out to correct the aforementioned problems and a few others. First they immediately set out to change the exchange rate polices to devalue the Ghanaian cedi even more because overvaluation of their currency was still a problem even after the first devaluation. By doing this, it would make trade with Ghana seem more appealing. This was necessary since Ghana was experiencing such significant competition from Cote d'Ivoire.

On the trade end, the adjustment programs set the goal of increasing competitiveness amongst local producers. By increasing the competition on a local level first, they hoped to spark the same productivity that Ghana had in 1965 with their cocoa crop. By doing this they also helped to prepare Ghanaian farmers and producers to compete on the world market.

Next they sought to reform the fiscal policies that were in place. They key to the fiscal policy reform was the mobilization of resources. At the same time, the programs wanted to restructure the tax system so that certain producers were not being overtaxed anymore. This would hopefully incentivize people to return to cocoa farming because cocoa contributed a great deal of revenues to Ghana during the late 1960's. Also, as in most other sub-Saharan countries, the IMF called for Ghana to institute strict government budgets and reform their government expenditures to only support public enterprises that yield reasonable returns. This would help to close the large gap in the budget because in previous years the government was spending more than it had on many public projects and parastatal businesses that were yielding low, or even negative, returns. This would also help increase savings and investment on a micro and macro level.

With their monetary policies, the programs strictly sought to decrease inflation by implementing an economic recovery program. This economic recovery program sought to help Ghana acquire external financial support to help their deficits in the form of grants instead of loans. By doing this, they would have the chance to sustain these smaller deficits instead of having them increase as soon as they have to pay loans back.

Results:

The foreign exchange rate was devalued from 2.75 cedi per U.S. dollar to 8.83 cedi per U.S. dollar during the time of adjustment. This ultimately brought the official exchange rate back to 25% of the purchasing power parity, as opposed to the over 100%

overvaluations that preceded the adjustment programs. These devaluations also helped to bring exports up from below 5% in 1983 to about 15% in 1991, the end of their adjustment period. The fiscal policies were also a success, as they brought the revenue to GDP percentage up from 6% to 14% (The World Bank, 1994, p. 161). The increase in revenue was not a result of increased taxes, but rather was a signal of increased productivity.

When it came to taxes, the tax structure was restructured, and the tax brackets were decreased. Now the top earners in Ghana paid 30% taxes instead of the 60% they were paying prior to adjustment. This decrease in taxes created excess revenue by allowing people to retain more of their wages and therefore have the ability and the motivation to spend more money. This stimulated revenue because it meant more money was circulating within the economy and making its way into the hands of the government. Therefore the government could raise their expenditures to their necessary amounts because they would now have more revenues to do so.

The monetary policy reform was also a success. The increase in the trend of outside funding coming as grants as opposed to loans allowed Ghana to replenish their depleted foreign exchange reserves. This now allowed them to engage in trade and have more leverage in agreements. The outside funding also helped the government fund local expenses as well as close the budgetary gap.

All of the overall outcomes for Ghana after adjustment were positive. Ghana experienced a 3% increase in savings and about a 10% increase in investment (The World Bank, 1994, p. 174). This was good for the economy in Ghana because increased savings and investment allowed them to fix falling buildings, restart railroads, and build roads and bridges. The increase in investment also meant that the government had more money on reserve to help the newly reformed public sector fix infrastructure as well.

Most impressively, GDP growth in Ghana has remained steady from the middle of adjustment until far past their ending. With the exception of the years with outside economic shocks such as the 1990 oil shock and recession, Ghana has maintained an average real GDP growth rate of about 5% annually. Per capita real growth also steadily grows at about 2% each year.

Success of Failure?

Most people agree that adjustment in Ghana was a success, but those who think it was a failure note one specific point. The inflation rate during adjustment was very unstable. Some year's inflations went very low and then shot back up very high the next year. For example, in 1985, inflation was at about 13%, but by early 1987, inflation was back up past 30%. This instability in the rate of inflation undoes the effects of devaluation. Devaluation is critical to trade, and the unstable inflation rates created large obstacles for trade and retarded economic growth. Critics of Ghanaian adjustment argue that without the steady inflation rate, Ghana can never sustain growth.

Those who consider it a success note that Ghana is a success especially when compared to other nations. Ghana grew their real GDP by 5% annually while the rest of sub-Saharan Africa grew at less than 3%. Also Ghana sustained success in area that most other countries did not come close to succeeding in. Their large boost in investment, their fiscal policy success, and the success of the currency devaluation are all results seen in few other African nations.

Given this information, Ghana is considered a Structural Adjustment success. It has the ability to sustain growth despite their inflation rates. This is demonstrated by the reoccurring annual growth. Ghana's strides within their trade market made them one of the only countries where devaluation worked. The Ghanaian governments pledge to put excess funds toward infrastructure to help ease transportation costs is well under way and is funded by the excess created by their government budgets. Ghana is simply a case where many things worked out the way that it was expected to.

V. Constraints

There were many constraints that the World Bank and the IMF faced when it came to the implementation and success of Structural Adjustment Programs. These constraints came from the African governments, the African people, and severity of the economic situation in Africa.

The African governments were one of the main constraints that inhibited the success of the programs. Once the programs were implemented, many governments did not accurately do the things that were prescribed to them by the IMF and the World Bank. For example, many countries' governments failed to raise nominal interest rates when they were told to do so. This was detrimental because the increase in nominal interest rates is usually the first part to financial liberalization, which was implemented in many countries in order to let prices adjust with the market.

Another example of the lack of cooperation by governments can be seen when many governments began to make expenditures outside of their budget constraint. Nigeria is especially guilty of this because in the late 1980's until about 1990 they began to spend more on smaller projects, against IMF advice, because they thought the oil boom from the Gulf insulated them. Then when the oil boom ended, they ended up with the budget deficits they had in 1992 (Husain and Faruqee, 1994, p. 264).

The African people also served as a constraint to the progress of the programs. Many people did not like the thought of outside interference in their countries, especially those who had lived in the 1960's, because they believed it resembled being under foreign colonization. People also did not like the reforms that the government was undertaking because much of the cost was pushed back onto the people. Many people rebelled against the programs and many riots even broke out. Countries such as Liberia had civil unrest all throughout the decade of the 1980's, but one of the riots resulted in William Tolbert being overthrown because of Liberian opposition to high food prices (BBC News, 2010).

Although most cases of civil unrest were due to political disagreement, there were instances of civil unrest that resulted from the implementation of the programs and anger with their governments for accepting the programs. Regardless of cause, the civil unrest often resulted in government weakness, instability, and take-over in many cases. Because the success of the programs and the stability of the government were easier to obtain with the cooperation and participation of the people, their rejection of the programs, and their government's cooperation with them, proved to be a large obstacle.

The severity of the economic situation in Africa made the organization of affairs within the World Bank and the IMF very hard to maintain. Because of the size of the region and the vast array of its needs, many times the World Bank had more loans out than they had the personnel to supervise. This was bad simply because their lack of supervision made it harder for them to realize the specific needs of every country and design programs accordingly. It also made it harder to ensure that the governments were following the plans that were outlined for them in order to receive aid and use it efficiently.

These are just the main constraints that the World Bank and the IMF faced during their time implementing Structural Adjustment Programs. These constraints undoubtedly contributed to the outcomes that were observed.

VI. Analysis

At this point of the thesis, I will lay out the arguments heralding the programs a success and the arguments that say they failed. Then I will give my opinion and the reasons for it.

Many may think that the Structural Adjustment Programs were successful for many social reasons. Past World Bank president Alden Winship Clausen believes that it gave many African nations interaction with powerful government leaders, which helped them develop some of the skills needed to lead. He also argued that the presence of the people who were hired to work in the field provided one-on-one mentor-like set-ups for the people of these nations to learn effective savings and investment practices. Most of all, these programs are a success because of its impact in the birth control sector. Many new centers for family planning and sexual education did pop up all over the region, and many people were visiting them more often (The World Bank, 2010).

Another point brought on by supporters speculates what the conditions in most of these countries would have been like without adjustment. Ho-Won Jeong, an international studies researcher, notes that in most of the countries, if they had continued on without interference, the GDP growth levels would have continued to grow negatively. Also if they had continued their fiscal policies, the governments would have racked up deficits that were a significant percentage to GDP and the public sector and businesses would never have been reformed. Government debt would have skyrocketed because the government in most nations would have kept accepting loans from donor countries.

An example of this scenario can be seen if you speculate on the outcome of what would have happened in Burundi if adjustment had not taken place during the 1980's. The government would have continued to give money to the numerous public services and parastatal firms. Being that the rate of increase in the budget deficit was averaging 2% per year since 1977 and the rate if interest was at 19% in 1980, the government budget deficit would have reached 33% of GDP by 1987 without the interference of the World Bank and the IMF. In an additional five years, the 1992 deficit numbers has the potential to be as high as 43% of GDP, and that is assuming that the rate of increase stayed the same.

Also, without further fiscal policy reform, the government would have kept funding unproductive businesses and adopting expansionary policies. Their expenditures would also continue to outweigh their receipts by larger margins every year. On top of these things, the GDP growth rate would have fallen below the stagnated rate of 1% because the increased amount of debt and the continuation of low productivity businesses would create less than the small amount of growth that already existed. Therefore the scenario in Burundi without adjustment may have created a very grim picture. Because of this, supporters like Mr. Jeong hold that adjustment programs saved many countries from hitting "a point of no return" at which their economies were too broken to fix (Jeong, 1996).

The people who believe these programs to be a failure also have many valid points. Economist Howard Stein holds that of most of the countries that were helped, a vast majority of them were left in worst economic shape than they started in. For the region as a whole, sub-Saharan Africa received 50% of all IMF loans in the 1980's yet experienced an aggregate decline of 3.9% in investment, a .6% decline in exports, a 1.2% decline in real per capita income, and a 6% decline in food production. In addition to this, the debt-to-exports ratio rose more than 17% annually and debt relative to GNP rose to 98% in 1989. All of these statistics were significantly better in the year of 1980, which was before the implementation of Structural Adjustment Programs (Stein, 2008). Furthermore, the progress made with family planning and sex education had smaller effects than the World Bank and IMF had hoped for. Although people were picking up condoms and visiting these centers, they were not having the expected effects on the population that the World Bank and the IMF had hoped for (Stein, 2008).

If you look at the case of Sudan, the epitome of the argument of those against the programs can be seen. When adjustment was implemented in Sudan, many unsatisfactory things occurred. The IMF suggested that they have one primary crop for export, and for Sudan it was cotton. At the same time their currency was devalued in order to make their cotton more attractive to foreign buyers. Unfortunately, the demand for cotton fell, leaving the Sudanese with worthless currencies.

At the same time, government spending for social services was cut in half. This led to the people not being able to have adequate access to health care, clean water, and food supplies. Health care costs skyrocketed, costing the consumers user fees of up to 80% of the cost of care. Those with low incomes were even more inconvenienced by the forced focus on foreign investment. This led many foreign firms to move into the country and establish their interests. Because of this, the income was redistributed toward the rich because they actually had the money to do dealings with the foreign firms. In addition to this, foreign firms did not pay taxes or import duties, so their presence made the government lose out on a great deal of revenue.

Ultimately the current account deficit grew from 8% of GDP to 11% of GDP, debt grew from $2 billion to $8 billion, and currency was devalued a total of 27% by 1984 (Pendergast, 1989).

When you look at both the arguments from the successes and failures, it is obvious that the Structural Adjustment Programs in sub-Saharan Africa were a failure. The programs placed many nations in worse situations than they began with and added debt burden to their problems. Even taking the counterfactual argument into consideration, Structural Adjustment Programs were a failure because many of the ailments of the countries after adjustment were directly caused by the adjustment policies. This can most notably be seen with the privatization of the public sector making health care and education more expensive.

Privatization caused many ailments, because it was counterproductive to the efforts to reduce disease, increase the amount of people in the labor force, and decrease the dependency burden. The privatization of health care passed almost the entire cost to the consumer. Being that these people were already living on a strict budget, adding these costs forced them to chose between goods that they would consume. Unfortunately, for most people, health care is one of the goods that were cut from their consumption. The downturn in people seeking medical help signaled that many conditions went untreated and many people may have been too ill to work. Therefore, the privatization of public services actually promoted an increase in the dependency burden in many households because of the decrease in treating diseases and other conditions.

Privatization also took a direct toll on the rates of savings and investment because it increased the amount that people had to spend, and therefore decreased the amount of money they had left over for savings. Privatization forced people to live on budgets where they consumed almost every dollar that they earned because of the high cost of living. Private investment is just as important as public investment, even when individual income levels are low, because it still generates extra income that could be used toward savings for economically productive things such as machinery and tools to help people in their occupations and within households. An example of this would be a farmer saving to buy a plow that makes farming much easier for him. Instead of embracing this, the programs promoted government investment by taking away the opportunity for private investment.

Also, when all things are added together, sustaining growth in sub-Saharan Africa would be much more difficult as well. With the newly added billions of dollars in debt that most countries have incurred from adjustment alone, much of their revenues will go to servicing that debt for years to come. Their budget would have to account for that debt, and therefore even less public services would be government funded than during adjustment. This would in turn cause even more user fees for services like health care, which would then lead to people becoming sick again due to the inability to afford a doctor. There is a cyclical pattern that is apparent in Africa, and instead of fixing it adjustment programs perpetuated it.

Furthermore, the fact that they failed to make any kind of impact on two of the largest social problems, population growth and disease, adds to the belief that these programs were a failure. The effects of the population and disease on savings and investment are direct, and correcting just those things would have helped increase revenue. Although it acknowledged that it is very hard for one entity to solve population problems, the fact that it was listed as a significant part of the goals of adjustment programs in many countries makes using it as a critique for adjustment's success or failure valid. Overall, these programs needed to be re-evaluated to employ more effective techniques.

VII. Possible Alternatives

Structural Adjustment Programs had the right idea paired with the wrong methods of implementation. These programs came with many different forces providing aid, but all with their own agenda in mind. Many donor countries were very selective about the countries that they helped, and the IMF and the World Bank each had their own ideas on how aid should be administered. In the future, there should still be joint efforts to provide aid, but they should all come together to form mutual goals so that all efforts go toward achieving them and not things for their own personal agenda.

Also, in the future, proposals for projects and programs should be left up to the government of the countries receiving aid. They are most in touch with the needs of their country, and would be able to plan accordingly. Many times during the era of Structural Adjustment, the donors would plan the programs completely for the recipient country, without having any prolonged exposure or experiences with the people on problems in that country. If the native governments are allowed to plan, the donor should provide the government with short-term technical assistance if they need help designing programs and also to serve as a watchdog to make sure that the governments would be allocating the aid they receive correctly.

As another stipulation, aid programs should place more power with the people they place in the field instead of the people working from a large distances. These people see first hand what the needs of the nation are and will know how to allocate the money accordingly. These people also have allegiance to the donor country because typically that is their country of citizenship, and therefore would not be incentivized to use the money for wrongful purposes.

A program such as this would have many positive impacts. Although many government officials lack the capacity to create proposals, this set up would force them to learn the needed techniques instead of following the trend of letting the donors do everything for them. This would allow the government officials to take control over matters in their countries, and hopefully that control would increase as new generations come to power and learn and improve their predecessors' techniques.

Another pro for a situation like this is that it limits the amount of influence that the donors can have on the changes being made in that country. Being that during the time of Structural Adjustment Programs, many donors sought to provide aid to countries in order to shape their ideals, limited influence on these countries will allow them to develop in a way that is actually feasible for their country.

Another possible alternative to the methods employed for Structural Adjustment Programs would have been to select more democratic countries as the first countries to aid before spreading aid throughout the whole continent. More democratic states tend to have more open political processes, which is usually a signal for less corruption. Countries with less corrupt governments also tend to be void of civil conflict and government opposition, making it easier to implement new programs in that nation. The goals of these programs should still be kept small to ensure that the governments can handle that change and that it is not just thrown upon the people. Although in 1980 only five countries held democratic elections, an approach of choosing these few would have helped a sample to test the results instead of implementing policies in thirty countries at once. By choosing a few focus countries first and eliciting some change in those countries, a trend may be set with other countries to follow in those footsteps. This would be a method that would promote leading by example, which could be effective with a continent with so many countries. The figure below illustrates research done that showed that countries with democratic practices such as elections tended to have a 10% higher probability of success with reform programs than countries without democratic elections.

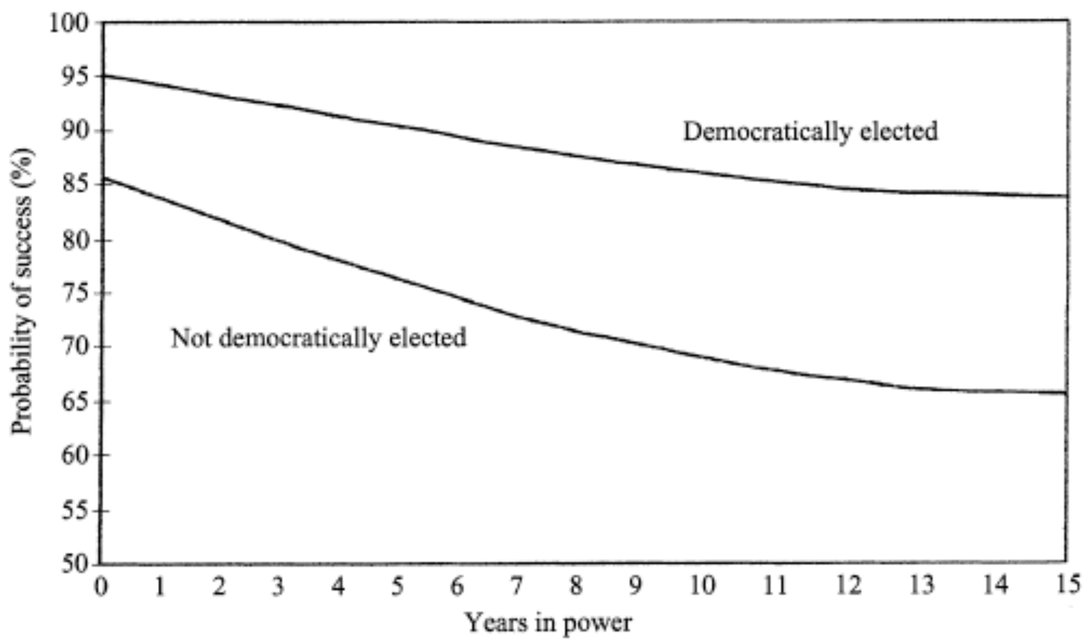


Fig. 1. *Elections, Tenure, and Probability of Successful Reform.*
Note: The probabilities are evaluated at the mean values of the explanatory variables.

(Dollar and Svensson, 2000)

So as it can be seen, there were many other possibilities that the IMF and the World Bank could have pursued to include in their programs instead of the conditions that were imposed.

VIII. Conclusion

Structural Adjustment Programs in sub-Saharan Africa are very controversial for good reason. They did succeed in helping many women become educated and integrated into the work force, as well as help some rural households gain slightly more income during their time of adjustment. They did help some countries increase their GDP growth past their stagnated points in the 1980's. They also successfully taught many government officials the skills and tools that they need to manage their economy in the future. Unfortunately, given all of this, Structural Adjustment Programs ended up doing more harm than good.

Many countries were left with lowered GDP's, increased debt service ratios and debt to GDP ratios (mostly owed to the IMF and the World Bank), and deteriorated terms of trade. They were also left with devalued currencies and exchange rate terms that left them with little leverage on the world market. Furthermore, the privatization of many services that the government previously paid for left the people of these sub-Saharan countries with costs that skyrocketed. Privatizing health care, education, and even agricultural aid proved to contradict and un-do much of the progress that the programs were trying to make in these countries. The extra costs to the consumer that came from these strictly imposed government budgets proved to place a personal debt burden on the individual. These factors also did not help savings and investment at all, which were two things that were key for any nation to experience economic success.

Although these things are true, the constraints on the IMF and the World Bank must be recognized. They were under conditions of non-cooperation by the people and governments, inexperience in some cases, and other factors beyond their control such as weather. These things can obviously hinder the success of any program in developing countries because without them, more effort has to go toward reforming the peoples' minds as opposed to reforming their economy. They also were justified in loaning money to these countries because of the perceived need of increased aid.

All of these things aside, today we can still see the persistence of economic problems in sub-Saharan Africa. Low growth rates accompanied by high debt burden and debt servicing costs still plague many African nations. The privatization of public services is still being done in many countries, and the user costs paid by the citizens still play a role in keeping their purchasing power very low.

There are now new projects to help sub-Saharan Africa out of this rut such as the United Nation's Millennium Development Goals, which aims to see growth by 2015. The IMF even continued their efforts with their Poverty Reduction Strategy Papers. These papers describe the macroeconomic, social, and structural policies as they develop over smaller periods of time, typically three years. These papers are also written by the member countries in order to ensure that they have a part in the planning of any projects and programs (The International Monetary Fund, 2010). Africa also has seen a great deal of new programs such as KIVA that allows other people to give small loans to aspiring entrepreneurs in developing countries. These programs, along with many others, are apart of a trend that gives Africans more grants as opposed to loans, which helps in not exacerbating their already existing debt burden. Hopefully these efforts will be apart of the solution that finally helps sub-Saharan Africa achieve sustainable growth.

Bibliography

Adedeji, Adebayo et al. (1993). *Action in Africa*. London, England: The Royal African Society.

BBC News. Liberian country profile. *BBC News.* (2010, March 10) Retrieved from http://webcache.googleusercontent.com/search?q=cache:KSpnfn8eWyYJ:news.bbc.co.uk/2/hi/africa/country_profiles/1043500.stm+riots+in+liberia+1980s&cd=8&hl=en&ct=clnk&gl=us&client=firefox-a

Del Castillo, Anne Marie and David Tschirly. (2007). *Local and Regional Food Aid Procurement: An Assessment of Experience in Africa and Elements of Good Donor Practice.* Lusaka, Zambia: Food Security Research Project.

Dollar, David and Jacob Svensson. (2000). "What Explains the Successes and Failures of Structural Adjustment Programmes?" *The Economic Journal.* Volume 110, 894-917.

Easterly, William. (2003). "What Did Structural Adjustment Adjust: The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans." *Journal of Development Economics*, 76, 1-22.

Harrold, Peter et al. (1996). *Practical Lessons for Africa from East Asia in Industrial and Trade Policies.* Paris, France: The World Bank.

Husain, Ishrat and Rashid Faruqee. (1994) *Adjustment in Africa: Lessons from Country Case Studies.* Washington, D.C.: The World Bank.

International Monetary Fund. (2007). Heavily Indebted Poor Countries. Retrieved from http://www.imf.org/external/pubs/ft/aa/index.htm.

International Monetary Fund. (2010). *Poverty Reduction Strategy Papers.* Retrieved from http://www.imf.org/external/np/prsp/prsp.asp.

Jeong, Ho-Won. (1996) *Managing Structural Adjustment.* The Johns Hopkins University Press.

Lancaster, Carol. (1999). *Aid to Africa.* Chicago, Illinois: University of Chicago Press.

Mihevc, John. (1995). *The Market Tells Them So: The World Bank and Economic Fundamentalism in Africa.* Accra, Ghana: The Third World Network.

Nicholson, Sharon. (1992). "An Overview of African Rainfall Fluctuation of the Last Decade." Tallahassee, Florida: The Florida State University.

The Organization of African Unity. (1980). *Lagos Plan of Action for Economic Development of Africa.* Addis Ababa, Ethiopia: The Organization of African Unity.

Pendergast, John. (1989). *Blood Money for Sudan: World Bank and the IMF to the "Rescue."* The University of Indiana Press.

Penn World Tables. (2010). Retrieved from http://pwt.econ.upenn.edu/php_site/pwt63/pwt63_retrieve.php.

Stein, Howard. (2008). *Beyond the World Bank Agenda*. Chicago, Illinois: University of Chicago Press.

Suliman, Abdul Hameed Elias. (1999). *The Impact of Structural Adjustment Programs on the Health Sector in the Sudan: A Case of Khartoum State.* Addis Ababa, Ethiopia: OSSREA.

UC Atlas of Global Inequality. (2001). “The Heavily Indebted Poor Countries.” Retrieved from http://ucatlas.ucsc.edu/sap/image001.jpg.

The United States Census Bureau. (2002). Global Population Profile. Retrieved from http://factfinder.census.gov/home/saff/main.html?_lang=en.

Williamson, John. (2004). “A Short History of the Washington Consensus.” Washington, D.C.: Fundación CIDOB.

The World Bank. (1981). *Accelerated Development in Sub-Saharan Africa: An Agenda for Action.* Washington, D.C.: African Strategy Review Group.

The World Bank. (1994) *Adjustment in Africa: Reforms, Results, and the Road Ahead*. Washington, D.C.: The World Bank.

The World Bank. (2010). *Archives: Alden Winship (“Tom”) Clausen.* Washington, D.C.: The World Bank

Miatta J. Massaley

Academic Vita
305 Nelson Hall
University Park, PA 16802
516-643-9213

Education

The Pennsylvania State University
September 2006-May 2010
Bachelor of Arts in Economics, Minor in the Legal Environment of Business
Schreyer Honors College: 3.71, Dean's List Fall 2006- Spring 2010
Honors Thesis: "Structural Adjustment Programs in sub-Saharan Africa"

Professional Experience

Intern, Nassau County Office of Minority Affairs
May 2009- August 2009
-Certified minority and women owned business owners
-Set up a green-initiative conference for the residents of Nassau County
-Did community outreach to low-income neighborhoods and schools
-Set up a Juvenile Justice program to allow minority students to see the court system

Intern, Easter Seals of Pennsylvania
September 2008-December 2008
-Worked in the finance department of a non-profit organization that benefits the disabled
-Maintained their budgetary data including graphing their economic gains and losses
-Prepared all files for their annual audit
-Set up all files for the new fiscal year
-Organized their annual Christmas ornament campaign.

Teacher's Assistant, Department of Economics
September 2009-May 2010
-Helped professor grade exams
-Held office hours for students who need extra help

Teacher's Assistant, Department of Biology
September 2008-December 2009
-Ran weekly laboratory classes
-Graded exams and laboratory exercises
-Attended weekly meetings to help the professor with her workload
-Held weekly office hours for students who needed extra help

Tutor, Morgan Academic Support Center for Student Athletes
2008-Present
-Tutoring NCAA athletes in many economics and law classes
-Meeting with these students multiple times a week to prepare them for exams

Involvement and Leadership Experience

Co-Founder, the Tenant Landlord Mediation Center
Pilot Program: January 12, 2009
- Center helps tenants and landlords reach agreements without going to court
- Hiring an attorney to hear these cases and help draw up an enforceable agreement
- Helping create the economic plan for the center

Assistant Director, University Park Undergraduate Association's Legal Affairs
September 2006-Present
-Organization that represents other students when in trouble with the University
-Trains the new members in procedures and practices of the organization
-Organized many workshops to educate students on their rights

Committee Member, University Park Undergraduate Association's Diversity Committee

September 2008-Present

-Held bi-weekly roundtable discussions aimed at solving various diversity issues
-Coordinated the first Women's Symposium aimed at empowering women on campus.
-Created and analyzed campus climate surveys to understand student attitudes about diversity

Captain, Penn State IFC/Penhellenic Dance Marathon
September 2007-February 2010

- 46-hour dance marathon that raises millions of dollars annually for childhood cancer
- Participation on both the Finance and Rules and Regulations Committee
- Outreach to various corporations for donations and participation
- Collects and counts all donations that come in
- Create graphs and charts to tally all incoming funds

Honors

Dean's List	Fall 2006-Spring 2010
Strumpf Family Scholarship	Fall 2008-Spring 2010
Rock Ethic's Stand Up Award	Spring 2009