

The Effects of the Structural Adjustment Programs on Economic Growth in Sub-Saharan Africa: A Literature Review

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ABSTRACT

Globalization has changed the political and economic map, but the benefits to different regions have been uneven. Sub-Saharan Africa (SSA) has undergone many economic struggles since achieving independence, and in the early 1980s SSA suffered a severe debt crisis. In response, the International Monetary Fund (IMF) and the World Bank undertook the implementation of a trade liberalization policy through structural adjustment programs (SAPs) to ease the debt crisis in SSA. Three of these programs have involved the removal of agricultural subsidies, currency devaluation, and lowering tariffs on natural resources. However, despite the implementation of these programs, economic growth in SSA has been disappointing, and SAP programs earned a negative reputation because of these failures. In this literature review, we discuss studies conducted to analyze these programs. We have suggested further study to explore how these three SAP programs interrupted the economic growth of SSA in the long run, based on open-ended discussions with scholars who have researched the history and political economy of the region.

KEYWORDS: *Deforestation, foreign direct investment (FDI), globalization, International Monetary Fund (IMF), policy reversal, structural adjustment program (SAP), sub-Saharan Africa (SSA), trade liberalization, Washington consensus, World Bank*

INTRODUCTION

Globalization has changed the political and economic map and has brought benefits to different regions at different levels (Andreano, Laureti, & Postiglione, 2013). The economic benefits of globalization are not always realized automatically. Its effects depend on how it is managed in a given country (Akinlo & Egbetunde, 2010). If financial liberalization is implemented without the simultaneous liberalization of other economic sectors, economic growth is often poor (R. O, Olusegun, Oluwaseyi, & Olusoji, 2013)

Sub-Saharan Africa (SSA) has undergone many economic struggles since acquiring independence from the European colonial powers. Prior to the 1980s, economic development in SSA was good, but in the early 1980s, SSA faced a severe debt crisis (Bristol, 2012). International bodies such as the International Monetary Fund (IMF) and the World Bank made efforts to ease this debt crisis by prescribing a trade liberalization program. The program was designed under the Washington Consensus, a policy created by the World Bank, the

IMF, and the U.S. government attaching a set of conditions for developing countries to access loans from the World Bank and the IMF (Falvey et al., 2012; Nichols, 2011). The initial aim of the SAPs was to liberalize trade policy and to “get the prices right” for SSA products (Bryceson, 2002; Gladwin, 1992). Many such World Bank programs, called structural adjustment programs (SAPs), were created (Bartels et al., 2013; Majekodunmi & Adejuwon, 2012).

SSA needs effective and innovative ways to integrate into the global economy (Fosu, 2011). However, nationalistic and protectionist attitudes have impeded globalization in the SS, and the participation of many SSA nations in global activities during the postcolonial era has been minimal ((Ndulu & O’Connell, 2008; Otiso, Derudder, Bassens, Devriendt, & Wiltex, 2011). Of the factors that have impeded economic growth in SSA through globalization, researchers have identified the SAPs, implemented by the IMF and the World Bank, most prominently.

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SSA has been vigorously seeking an inflow of foreign direct investment (FDI) and has offered a sizable incentive to multinational corporations to invest in a liberalized trade policy. Nevertheless, FDI inflow to SSA has been marginal (Ahmed & Suradi, 2009; Anamele, 2010; Fosu, 2011; Gangi & Abdulrazak, 2012; Houanye & Shen, 2012). Foreign investors have blamed SSA for a poor implementation of trade liberalization mechanisms and plans, as well as for a SAP policy reversal and weak institutions within SSA (Bene, Lawton, & Allison, 2009; Platteau, 2009; Yago & Morgan, 2008).

In an era of globalization, capital inflows have been demonstrated to increase economic growth in Asia (Branan & Lahet, 2010) and other countries. Since the 1980s, the leaders of SSA countries have liberalized their trade policies at the direction of administrators at the IMF, the World Bank, and other international financial institutions (Misati & Nyamgo, 2011). The purpose was to assimilate the economies of these countries into the global economy and to spur economic growth. Nevertheless, economic growth did not occur to the extent predicted (Akinlo & Egbetunde, 2010; Fosu, 2011; Mension, 2012).

Modernization theory, the neo-Malthusian theory, and the world-polity systems theory are three theories that can be used to understand economic growth in SSA (Mbatu, 2010). The relationship between income growth and income inequality was explained in terms of modernization theory. The relationship between population growth and existing resources was explained in terms of the neo-Malthusian theory. According to the world-polity systems theory, there are three groups of nations: core nations, which are rich; peripheral nations, which are poor; and semi-peripheral nations. However, rich nations benefit at the cost of the natural environments of poor and semipoor nations (Mbatu, 2010).

Much empirical and theoretical literature has shown how SAP programs affected the economic growth of SSA through globalization. Scholars have indicated that specific SAP programs may have individually functioned as obstacles to the potential benefits of trade liberalization in SSA. In this paper, we will discuss three main SAP programs: (a) the removal of agricultural subsidies, (b) currency devaluation, and (c) lower tariffs on natural resources. The purpose of this paper is to analyze these studies to demonstrate a gap in this research and the need for further exploration.

Literature Review

Since 1980, economic progress has declined in SSA compared to the rest of the world (Behar & Manners, 2010). Both exogenous and endogenous factors may

have contributed to the lack of economic growth in SSA during this period. What is apparent is that trade liberalization policy did little to improve economic growth in the SSA and that overall, Africa has not benefited from globalization (Ahmed & Suradi, 2009; Akinlo

Egbetunde, 2010). Access to finance capital has been lacking (Harrison, Lin, & Xu, 2014). In contrast, Asian countries have succeeded in external trade and in acquiring finance capital (Brooks, Hasan, Lee, Son, & Zhuang, 2010). In the opinions of some writers, Asian success came as a consequence of departing from the Washington Consensus, which SSA failed to do (Majekodunmi & Adejuwon, 2012; Ohiorhenuan, 2011). However, Africa depends on external capital inflow, which never reached the levels expected despite liberalized trade policies (Abaidoo, 2012; Carmody & Hampway, 2010).

To eliminate poverty and improve productivity in Africa, the IMF and the World Bank prescribed the SAPs for African countries (Yago & Morgan, 2008). Researchers have analyzed why SAP programs implemented by IMF and the World Bank to bolster the economy of SSA have not achieved this effect. Following is a review of some of these analyses.

The Structural Adjustment Programs of IMF and the World Bank

The World Bank encouraged SSA to liberalize its trade policies across the board (Jones, Morrissey, & Nelson, 2010). The SAP programs implemented by the IMF and the World Bank were designed as neoliberal reform policies (Enowbi-Batuo & Kupitikle, 2010; Ntongho, 2012). During the debt crisis of the 1980s, many SSA countries were unable to meet their debt obligations. As a short-term solution to the crisis, a SAP was prescribed to increase exports from SSA, whereas SSA needed long-term solutions (Owusu, 2003). Sustainable, long-term economic growth occurs when countries implement long-term plans (Nkechi & Okechi, 2013).

Most African countries have or have had loans in IMF and World Bank loan portfolios (Neu, Rahman, Everett, & Akindayomi, 2010). The World Bank has requested that the IMF be enlisted to assist with the economic life of a country via lending programs, especially programs based on SAP programs. In these programs, countries receive short-term to midterm loans conditional on changing or implementing new rules of financial management (Yago & Morgan, 2008).

Many SAP programs prescribed by the IMF and the World Bank initially harmed the economy of SSA but may have improved economic growth in the long run

(Kaimowitz & Ndoye, Pacheco & Sunderlin, 2013). However, three SAP programs may have caused so much damage to economies of SSA countries that economic growth through globalization could not be realized. These programs involved (a) the removal of agricultural subsidies, (b) the devaluation of currency, and (c) the lowering of tariffs on natural resources. Research findings on these three programs are now presented.

Removal of Agricultural Subsidies

Before the implementation of the SAP programs, SSA countries had many agricultural subsidies in place. The subsidies in place in the 1970s increased agricultural yield (Bryceson, 2009). In Nigeria, 88.6% of fertilizers were subsidized (Banful, 2011; Kanayo, Nancy, & Maurice, 2013). These subsidies were vital for the livelihood of many Africans because 60% of the SSA workforce was engaged in agriculture (Chea, 2012; Central Intelligence Agency, 2010). Agriculture is essential in the region to protect against poverty (Dethier & Effenberger, 2012).

To promote urbanization and stabilize food prices, the IMF and the World Bank required that SSA governments cease agricultural subsidies. However, the World Bank failed to account for the fact that most African countries were poor and needed those subsidies (Diao, Hazell, & Thorlow, 2009). The removal of agricultural subsidies harmed the economy of SSA (Bryceson, 2009; Letiche, 2010). Severe food shortages emerged in SSA where there was already an economic downturn. Food production was greatly reduced. The removal of subsidies in SSA greatly hindered the struggle against poverty.

Prior to the removal of agricultural subsidies, farmers received subsidized seeds, fertilizer, and power, all of which increased the yield of crops. The removal of these subsidies resulted in a decrease in production because farmers then stopped using fertilizer. The opponents of subsidies argued that the costs associated with the subsidies were exceeding the benefits (Morris, Kelly, Kopicki, & Byerlee, 2007). However, with the removal of agricultural subsidies, African farmers sold their surplus crops for 20% less than the market price because of restrictive trade rules and price controls (The Economist, 2013).

The withdrawal of subsidies in SSA was widely criticized. Agricultural subsidies were reinstated in Nigeria in 1997, Malawi in 1998, Zambia in 2003, Kenya in 2006, and Ghana in 2008 (Banful, 2011). In 2005, the World Bank acknowledged its error and began agricultural loan programs to SSA countries again (Letiche, 2010). Banful (2010) examined the reinstatement of fertilizer subsidies throughout Africa and the fertilizer voucher program in place in Ghana.

Data were collected at the district level for 2008. The author discovered that the subsidies were not well distributed and were in fact awarded largely to wealthy, politically connected districts and opposition stronghold districts (Banful, 2010). Poor districts received fewer vouchers.

In a case study of six SSA countries (Diao, Hazell, & Thurlow, 2009), economic development in Africa was shown to depend on agricultural contributions. Both economy-wide and multimarket models were used. The study showed that Africa needed agricultural development and industrial growth, but that the African economy could not develop without increasing agriculture first. Poor technological advancement hindered agriculture growth, and economic growth was further hampered by the removal of subsidies for seeds, energy, and fertilizer. Weak social institutions also harmed economic growth (Diao et al., 2009).

Early theorists (e.g., Lewis, 1954) argued that agriculture could not expedite growth and that a higher level of industrial growth was needed first. This argument did not stand up to scrutiny. Most African people live in rural areas that need increased productivity in agriculture before industrial growth can foster overall economic growth (Diao et al., 2009).

The SAP that removed government subsidies for fertilizer not only destroyed the economies of local farmers but also hampered social livelihoods. Farmers concentrated on producing export-oriented agricultural products and paid less attention to producing food vital to their own subsistence (Bryceson, 2002). In Nigeria, food prices increased because farmers lacked fertilizer and inexpensive seeds that they had previously received. They cultivated less land, triggering lower food production (Yunusa, 1999).

The removal of agricultural subsidies did not produce any of the positive results that the World Bank had anticipated. In Malawi and Cameroon, the cost of producing maize increased more than the cost of fertilizer subsidies (Galdwin, 1992). This cost was incurred because, with the removal of subsidies, farmers stop farming maize, and governments had to import the crop at a higher cost (Galdwin, 1992).

SAP programs abolished the authority of SSA governments to determine who would provide farm production ingredients, maintain food standards, and regulate farm production. However, after implementing SAP programs, the mechanism to “get the prices right” did not work in reality as the IMF and the World Bank had anticipated (Jambiya, 1998; Meagher, 2000; Modulu, 1998). In addition, the

quality of farm products from SSA declined in comparison to the quality of Asian farm products during the same time (Raikes & Gibbs, 2000). SAP programs and the market liberalization policy of the World Bank helped farmers to stop producing agricultural products because cheap foreign products became available. The result was not only a food shortage in SSA but also the destabilization of the political arena in SSA agriculture (Bryceson, 2002).

Currency Devaluation

Another SAP program implemented by the IMF and the World Bank as part of trade liberalization was currency devaluation. Currency devaluation had negative consequences that impeded economic growth in SSA. According to the World Bank, currency devaluation helps trade balance (Rawlins, 2011). However, in the long run, a currency crisis is harmful for an economy (Yilmazkuday, 2010). Ammani (2013) called the devaluation of currency a double-edged sword. Currency devaluation increases producer prices but increases agricultural inputs such as fertilizer, pesticides, and machinery.

The effects of exchange-rate volatility were evaluated in 40 SSA countries between 1986 and 2006. Data were collected from the World Development Indicator (WDI, 2007) of the World Bank and from Commodity Trade Statistics (Olayungbo, Yinusa, & Akino, 2011). The results of a regression analysis showed that currency volatility was harmful for primary foreign trade and currency devaluation but had a positive effect on the manufacturing sector (Olayungbo et al., 2011). However, the SSA countries that joined the currency union gained from the exchange-rate volatility (Tsangarides, Ewencyk, Hulej, & Qureshi, 2009). SSA was an export-oriented continent, but the rise of oil prices in the 1970s, along with a decrease in the price of commodities, shocked the SSA economy and decreased exports.

Rawlins (2011) examined the relationship between the trade balance and the real exchange rate for 19 SSA countries. Regarding Rawlins' hypothesis that currency devaluation was an effective policy in balancing payments, the results were mixed. During the implementation of the SAP under a policy of trade liberalization, this devaluation policy harmed the economy of the SSA. Several studies have shown that if currency devaluation is implemented for more than 6 months, policy makers can address the problem properly (Himarios, 1989). Under the SAP programs, currency was devalued as a way of increasing exports and balancing trade. Although currency devaluation can improve the balance of trade in the short term, in the long term trade balance has been found to worsen (Rawlins, 2011; Yiheyis, 1997).

Ndambendia and Al-Hayky (2011) examined 15 SSA countries and found that between 1980 and 2004, real exchange-rate volatility had a negative effect on growth. Whether growth is endogenous or exogenous, the exchange rate best suited to the economic structure of a country provides the best conditions for economic growth (Ndambendia & Al-Hayky, 2011). Additionally, the researchers found that when countries were financially weaker, exchange-rate volatility had a negative effect on long-term growth (Ndambendia & Al-Hayky, 2011).

Ghura (1993) studied relationships between real exchange rate, exchange-rate volatility, and economic growth in 33 SSA countries for the period 1972 and 1987. Aghion, Bacchetta, Ranciere, and Rogoff (2006) studied these factors in 83 countries for the period 1960 to 2000. Elbadawi, Kaltan, and Soto (2007) examined these relationships in 77 countries for the period 1970 to 2004. Eichengreen (2008) examined the same relationships in 61 emerging countries for the period 1975 to 2000. In all cases, the relationships between real exchange rate and economic growth were negative, as were the relationships between exchange-rate volatility and economic growth.

After a long period of economic disaster beginning in the 1980s with the currency devaluation brought about by the SAP programs, interbank, capital, and foreign exchange markets still face difficulty. Long-term economic growth is impeded. A stronger, more transparent regulatory environment may help in decreasing inefficiencies and creating an effective mechanism for economic growth (Chea, 2011).

Not all scholars have agreed that the currency policy of SSA was misaligned. Most SSA currencies were undervalued until 1995 and then overvalued by approximately 10% until they reached equilibrium in 2002 (Elbadawi, Kaltan, & Soto, 2012). However, the SSA banking sector and financial instruments failed to improve, and capital markets failed to address exchange rate volatility. The result was negative consequences for currency devaluation (Elbadawi et al., 2012). Furthermore, exchange rates were volatile in many SSA countries because the export volume of most SSA countries consisted of primary commodities that harmed the exchange rate. As a result, the balance of payments triggered consequences in terms of the deficit (Olayungbo et al., 2011).

Lower Tariffs on Natural Resources

Under the SAP programs, the IMF and the World Bank aimed to increase the volume of exports as a way to address the balance of payments. For this reason, tariffs on natural resources were lowered as

part of a trade liberalization policy. The lower tariffs led to price increases for agricultural and timber prices. The price increases triggered an increase in the number of trees cut for sale. Ultimately, the result was deforestation (Kaimowitz, Ndoye, Pacheco & Sunderlin, 1998), both direct and indirect (Kant & Redantz, 1997). The remainder of this section of the review will focus on deforestation in SSA.

With the SAP program, the IMF and the World Bank in the 1980s were administrative leaders in providing forest management and conservation policies in SSA (Movuh, 2012). The deforestation process was expedited in Ghana after the SAP program was implemented in the 1980s (Danquah, Sarpong, & Pappinen, 2013). However, even the decentralization of forest management, which has occurred in some SSA countries, has not succeeded in preserving forests. The reason is that the lower tariffs on natural resources, implemented by the SAP programs, expedited the export of timber as a way to earn foreign currency (Ribot, Lund, & Treue, 2010). In Ghana alone, 1.3% of the forest was lost between 1980 and 1990, and 1.5% was lost between 1990 and 1995 (Benhin & Barbier, 2004; Food and Agriculture Organization [FAO], 1997). In addition, some tree species in Ghana were in danger of extinction (Hawthorn, 1989).

A statistical analysis of deforestation between 1984 and 2000 in Southern Cameroon was conducted to evaluate the extent to which the change in available forest land, agricultural fields, and urban building predicted changes in the population (Mbatu, 2010). Data were collected from the Global Land Cover Facility. The author found that a decrease in available forest land and agricultural fields, and an increase in urban building, led to increases in the population. The author concluded that there should be balance among economic, social, and environmental points of view to address this issue.

Accounting for the socioeconomic, political, and institutional weaknesses of SSA countries, researchers concluded that the SAP programs of the IMF and the World Bank led to the deforestation process in Cameroon. Under these programs, foreign logging companies invested in Cameroon, thereby expediting the deforestation process (Kaimowitz et al., 1998). Between 1980 and 2000, approximately 55% of new cropland in the tropical area came at the expense of primary forest, and 28% came at the expense of secondary forests (Gibbs et al., 2010). Furthermore, according to the World Bank, Africa was losing 2.9 million hectares of forest yearly during the SAP program of the 1980s (Frilet, 2011). This

loss represented 0.7% deforestation annually in SSA, the highest of any region (Marcoux, 2000).

The results from these studies showed that the existence of natural resources in developing nations (e.g., forests to be logged) can result in FDI but that the result (in this case, deforestation) is not always beneficial to the developing nation. Furthermore, major foreign firms did not invest in any other sector to contribute to the economy in SSA.

Under the SAP programs designed to lower tariffs on natural resources, countries in SSA were required to sell or lease forests to foreign logging companies, resulting in forest loss (Hurst, 1990). In 64 countries, the annual percentage of forest loss was regressed against factors such as debt service ratio and international trade. The SAP programs of the IMF and the World Bank were found to expedite deforestation in developing nations, especially in SSA, between 1990 and 2005 (Shandra, Shircliff, & London, 2011). Despite the serious harm done by SAP programs, African governments implemented these programs because the IMF and the World Bank indirectly controlled the mechanism in developing countries by which economic policies were made (New, Rahman, Everett, & Akindayomi, 2010).

The hastening of deforestation brought about by lowering tariffs on natural resources, as mandated by the SAP programs, was predictable from dependency theory. Dependency theory evolved when modernization policies failed to achieve improved economic growth in many developing countries, especially countries in SSA, and instead led to debt crises in the early 1980s (Geleta, 2005; Okoli, 2012; Todaro & Smith, 2009). Dependency theorists have argued that FDI inflow to developing countries increases economic growth in the short term but results in a dependency on foreign capital, inhibiting full industrialization (Bornchier, Chase-Dunn, & Rubinson, 1978; Kaya, 2010).

Advocates of dependency theory have argued that multinational corporations can slow long-term growth in the host country because these corporations are better capitalized and have better-skilled human capital (Adhikary, 2011; Aga, 2014). Thus, new, low-capitalized firms in the host country may face harsh competition from the multinational corporations. New companies in the host country may even be eliminated. In this way, the FDI from the multinational corporations would eventually acquire a monopoly in the business environment (Adhikary, 2011; Aga, 2014). The development of monopolies can subsequently create specific sector demands, such as a high level of demand for resource extraction. Dependency theory contradicts the belief that rich

nations benefited from the exploitation of natural resources in the poor nations (Amin, 1976; Evans, 1979; Frank, 1967; Prebisch, 1950; Singer, 1950).

As a part of SAP programs, foreign companies targeted forests to extract expensive timber from SSA but did not offer any real solution in terms of improving the economy of the region. Even decentralization did not produce positive results in preserving forests in SSA (Ribot et al., 2010). Furthermore, because of the SAP programs, prices for agricultural products such as coffee and maize increased. Again, these price increases encouraged landowners to convert forest into agricultural fields, ultimately expediting deforestation (ISSER, 1992; Kamiowitz et. al., 1998).

In another study of SAP programs involving lower tariffs on natural resources, Codjoe and Dzanku (2009) examined the relationship between closed forest stock and deforestation in Ghana in the 1980s. Data were collected from the Ghana Forestry Services, the Food and Agriculture Organization (FAO) Yearbook of Forestry Products, and the Ghana Timber Marketing Board. The authors found that as a result of SAP programs, cropland deforestation was the primary cause of deforestation in the short term, but that in the long term, logging was primarily to blame. The World Bank required many SSA countries to reverse the downturn, and SAP programs liberalizing the trade policy were required as conditions of accepting loans (Ahmed & Lipton, 1997; Falvey, Foster, & Greenaway, 2012; Matunhu, 2011; Nichols, 2011).

Codjoe & Dzanku (2009) argued that technological advances in the agricultural field, rather than the SAP programs, were primarily responsible for hastening deforestation. Other scholars (Southgate, Sierra, & Brown, 1991) argued that food production for poor people indirectly expedited the deforestation process. In contrast, Zwane (2007) found no connection between poverty and deforestation. A similar study (Southgate et. al., 1991) showed that deforestation occurred not from an effort to produce food for the poor but as a result of producing goods for the export market. However, Fosu (1997) and Barbier and Burges (1997) showed that population increases triggered the expedition of deforestation, and Benhin and Barbier (2004) explained that the SAP had little effect on deforestation except perhaps from a decrease in cocoa production.

Finally, Obeng-Asiedu (1999) showed that many other factors were involved in deforestation in SSA. Because of the currency devaluation, farmers received higher prices throughout SSA for agricultural crops such as coffee, cocoa, and timber

(Codjoe & Dzanku, 2009), and farmers cultivated more land by cutting woods (Gbetnkom, 2005). This trend was widely seen in SSA. The increase in the annual crop price expedited deforestation in Tanzania (Angelsen et al., 1999), Sudan (Stryker et. al., 1989) and the Ivory Coast (Reed, 1992).

In reality, the IMF and the World Bank implemented SAP programs to benefit the SSA economy, but this policy failed to construct the strong institutions or the technological advancement needed to realize any long-term economic gain in SSA (Hopkins, 2009; Stein & Nissanke, 1999). Thus, SAP programs were designed to improve economic conditions, but instead, these programs triggered largely negative consequences (Codjoe & Dzanku, 2009).

One aim of the SAP programs was to reduce the price of agricultural products (Gbetnkom, 2005). Nevertheless, the removal of agricultural input subsidies triggered the opposite results, in that crop prices increased (Galdwin, 1992; Benhin & Barbier, 2004). The reason was that farmers failed to produce, in response to expensive farming inputs such as fertilizers, seeds, and pesticides that had previously been subsidized (Chea, 2012). Moreover, under the trade liberalization policy, governments removed price controls on food items. All of these changes caused increases in food prices (Cruz & Repetto, 1992; Wiebelt, 1994). In Cameroon, as a result of the currency devaluation (Gbetnkom, 2005; Kaimowitz et.al., 1998), the prices of food staples such as maize increased even more than did the prices of coffee and cocoa and pressured on deforestation (Gbetnkom, 2005; Toornstra, Persoon, & Youmbi, 1994). Additionally, the 50% currency devaluation increased the price of timber, which expedited deforestation (Ndoye & Kaimowitz, 2000).

Currency devaluation led to higher prices for food crop exports, resulting in increased gains for farmers (Stryker et. al., 1989; Weibelt, 1994). Ultimately, however, three SAP programs – the removal of agricultural subsidies, currency devaluation, and the lowering of tariffs – all increased deforestation in SSA (Gbetnkom, 2005). With the removal of agricultural subsidies such as for fertilizer and insecticides, farmers stop cultivating existing land and cleared more fertile forest land to grow food crops. Farmers stopped producing coffee and cocoa because these crops failed to generate earnings from foreign currency. In addition, the prices of food staples such as maize, of which the local supply had been sufficient, increased, and in some cases the crop had to be imported to meet the demand (Yunusa, 1999).

The consequences of the SAP programs, and the deforestation that followed, have been economic as well as environmental (Behnin & Barbier, 2004). Researchers (e.g., Nkechi & Okzi, 2013; Stein & Nissanke, 1999) have argued that SAP programs only led SSA further into poverty and disappointing economic growth. As a result, African countries are never free of poverty and debt (Okoli, 2012).

Conclusion

The IMF and the World Bank implemented numerous SAP programs to liberalize trade in SSA. However, SAP programs did not bring about the economic transformation needed, and economic growth in the region has been disappointing (Hakeem, 2010; Peters, 2011). In fact, the SAP programs earned a negative reputation for their failures (World Bank, 2011). The implementation process of the SAP programs was so unrealistic for SSA that some researchers have concluded that trade liberalization policies themselves are harmful (Miskiwić & Ausloos, 2010) and that globalization itself contributes to financial crisis (Mendoza & Quadrini, 2010).

Researchers have found that SAP policies, including the removal of agricultural subsidies, lower tariffs on natural resources, and currency devaluation, have all failed in their goals of increasing foreign investment. The SAP programs implemented by the IMF and the World Bank did not succeed in benefiting the economic health of SSA (Hopkins, 2009). In fact, the SAP programs have actually weakened the SSA economy and hindered economic growth (Banful, 2010; Bryceson, 2002; Codjoe & Dzanku, 2009; Diao et al., 2009; Mbatu, 2010; Nega & Schneider, 2011; Shandra et al., 2011).

Further studies are needed to investigate the relationship between SAP programs and economic growth. There is a need to understand the factors responsible for the failure of a liberalized trade policy in SSA. This investigation would be an exploration of how these SAP programs affected the economic growth of SSA in the long run. A good start to this investigation would be open-ended discussions with scholars who have researched the history and political economy of the region.

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