

## **Bretton Woods Institutions and Persistent Developmental Crisis in Sub-Saharan Africa (SSA): The Nigerian Example**

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### **Abstract**

Previous studies from the Liberal political economy perspectives have described the Bretton wood institutions as a necessary and unbiased framework for ensuring global economic growth. This has been debunked by scholars from the Marxist political economy perspective who have argued that the institutions are basically framework of imperialism to perpetually ensure dominance of weaker states by stronger capitalist states. Specifically, stringent conditionalities imposed by these twin institutions (International Monetary Fund and World Bank) of economic globalization is the major means by which Bretton Woods institutions have perpetuated the dominance of the poorer countries in sub-Saharan Africa by the richer countries in the Western hemisphere, thereby worsening developmental crisis in the region. Using the structural theory of Imperialism with data generated from primary and secondary sources, the article investigates the impact of the stringent conditionalities imposed by the Bretton Woods institutions on developmental crisis in sub-Saharan Africa with Nigeria as a case analysis. The main argument of the paper is that the Bretton Woods institutions in spite of their reforms through initiatives such as Output-Based Aid (OBA) and the Heavily Indebted Poor Countries Initiative (HIPC-Initiative) have continued as an imperialistic tool for perpetuating developmental crisis in sub-Saharan Africa. The paper concluded that the policies of these institutions despite its face value target at economic growth and development have worsened economic underdevelopment in the region.

### **Introduction**

Developmental crisis in sub-Saharan Africa has been perennial in nature as it has mutated severally through colonialism to the post-colonial era. Developmental crisis in this context refers to the myriad of challenges facing the African continent which has prevented it from achieving sustainable development across various sectors. These crises span several areas which include political, economic, social and environmental issues. One of the major developmental crises facing the African continent is extreme poverty in spite of its abundant natural resources. Most African states still struggle with access to basic necessities of life such as healthcare, shelter, education, sanitation among others. This poverty trap hinders the growth and development of African states. Political instability and bad governance is another critical aspect of Africa's developmental crisis. Most African states are grappling

with governance issues such as weak institutions, armed conflicts, corruption and lack of effective leadership. These factors has aggravated political instability, hampers the implementation of development agendas and it is also affecting social cohesion. In many African states, secessionist movements are proliferating as a consequence of bad governance and under development. African states by all indices of development have lagged behind states in other parts of the world and most especially in the global south (Ihonvbere, 1989; Ikenna, 2009 and Begashaw, 2019). This recurrent crisis of underdevelopment in the region has attracted a lot of attention most especially from the development partners from the western hemisphere. Thus, development institutions such as the Bretton woods twin institutions of World Bank and International Monetary Fund has shifted the focus of their attention to Africa since the 1970s (Camdesus, 2000). Their efforts have been to provide development assistance to states in the region for both economic growth and development. The efforts of these twin institutions have been responded to with mixed reactions.

Scholars from the liberal political economy perspective such as Hauman et al, 2018; Ratburn, 2021; and Archibong et al, 2021; and Kenneth, 2022 have argued that these institutions have contributed immensely to economic growth of sub-Saharan African states. This perspective has also claimed that the institutions have used virtually the same method they used in countries with market oriented economy with countries in transition in sub-Saharan Africa. This has been debunked by scholars from the Marxist political economy perspective such as Onyishi and Amoke, 2018; Dada, 2020; Hickel, 2020 and Momoh, 2023 who have argued that the institutions are basically framework of imperialism to perpetually ensure the dominance of weaker states by stronger capitalist states. Specifically, stringent conditionalities imposed by these twin institutions (International Monetary Fund and World Bank) of economic globalization has been described as the major means by which Bretton Woods institutions have perpetuated the dominance of the poorer countries in sub-Saharan Africa by the richer countries in the Western hemisphere thereby worsening developmental crisis in the region. Using the structural theory of imperialism with data generated from both primary and secondary sources, the article investigates the impact of the stringent conditionalities imposed by the Bretton wood institutions on developmental crisis in sub-Saharan Africa with Nigeria as a case analysis. The main argument of the paper is that the Bretton Woods institutions in spite of their reforms through initiatives such as Output-Based Aid (OBA) and the Heavily Indebted Poor Countries Initiative (HIPC-Initiative) have continued as an imperialistic tool for perpetuating delopmental crisis in sub-Saharan Africa. Specifically, the study is designed to answer the following research questions: (a) How essential are conditionalities to the success of an aid system.

(b) In what ways have the conditionalities of Breton Woods institutions worsen developmental crisis in sub-Saharan Africa and how has the institutions conditionalities impacted on Nigeria's real GDP and per-capital GDP. This study is significant as it intends to demonstrate how the neo-colonial nature of the Breton wood institutions have worsened developmental crisis in sub Saharan Africa with Nigeria as a case study. The paper is organized into five sections which include the introduction, literature review, theoretical framework, methodology, result section, discussion of findings and conclusion.

## **Literature Review**

### **Bretton Woods Institution: An Overview**

The Bretton Woods institutions which include the International Monetary Fund and the World Bank were created at the Bretton woods conference of 44 states in 1944 to solve the problems of the post-war economy in Europe (Egbuta, 2019). The IMF which is one of the twin institutions at its inception was saddled with the responsibility of supervising the regulation of exchange rate as part of Bretton Woods dollar-gold reserve currency scheme (Chen, 2021). In the 1970s, the IMF grew in scope and influence and contemporarily it provide loans to help member states to ameliorate their problems of balance of payment and other national economic crisis (Rathburn, 2021). These loans' were to be provided to the states experiencing economic distress based on conditionalities which are conditions a state must fulfill before it can access IMF credit facilities. However the conditionalities were introduced under influence of United States to access the adequacy of a country's economic policies to overcome its economic problems within a short period (Toussaint, 2024). From the 1950s upwards, instant arrangement was made as the main instrument for conditionalities that are required for drawings beyond the initial credit tranche (Dell, 1981:11). From the late 1970s to early 1980s, conditionalities have become a very important economic tool for IMF and World Bank economic policies towards the third world countries (Stewart, 1987). One of its most notable recent efforts was the bailout of the Greek government in 2011 which was given in three tranches. The World Bank on the other hand just like its twin International Financial Institution (IFI) of IMF is also a credit lending institution with its own conditionalities. As a credit lending international financial institution, its two main objectives is to end extreme poverty within a generation and boost mutual prosperity for all nations(World Bank Group, 2021). Just like the IMF, the credit facilities of the World Bank which is usually more of developmental programs also have its own attached conditionalities. These conditionalities which have been a major policy instrument of the IMF and World Bank and they have elicited mixed reactions

from critics and supporters alike. While it has been described as a needed instrument for the success of IMF and World Bank programs, critiques have described the conditionalities as tools of underdevelopment.

### **Development Crisis in Africa: A Synopsis**

About 34 years ago, Julius Ihonvbere editing Claude Ake's work on the political economy of Africa noted that Sub-Saharan Africa by all available indices in terms of development lag behind other parts of the developing World which include Asia and Latin America (Ihonvbere, 1989). 11 years after and precisely in 1987, developmental indices in Africa as demonstrated by Weismann (1998) are still very pathetic. Most Sub Saharan African states are still among the least developed countries of the world. In a more recent data, Africa's stories of underdevelopment have not experienced any significant changes. According to the latest Human Development Index ranking, all 10 of the least developed countries of the world are in Africa, while most African states are in the top 50 of least developed countries of the world (UNCDP, 2021). The negative micro and macroeconomic indices from Africa have been the major reason for the prevalence of development partners on the continent from the first decade of independence till this present time. Using the West African rising inequality as a focal point, Hallum and Kwesi (2019), argued that while an insignificant number of people in the region are becoming excessively rich, majority of the region's population suffers from lack of access to vital elements of a dignified life such as quality education, decent jobs and health care system. This as they argued is in spite of notable economic growth induced by extractive industries (Ibid). According to an estimate, out of \$2.3 trillion dollars of individual wealth on the African continent, about 40% is held by high net worth individuals which include 7,100 multi-millionaires and 24 billionaires (AfrAsia Bank, 2018). This represents 0.012% of Africa's total population of about 1.2 billion people. Apart from this, there is massive infrastructural deficit across the sub-Saharan states, while in Nigeria which is the focus of this study the government has borrowed heavily to invest in infrastructure, but the deficit is still a stark and glaring reality. The excessive government borrowings have resulted in high inflation which has resulted in abysmal increase in the prices of goods and services. Presently, Nigeria's inflation rate which has been fluctuating severally is averaged at 32.70 % as at September 2024(Sami, 2024).

### **Bretton Woods Institution and Developmental Efforts in Africa**

Scholars are of diverse views about the impact of the development assistance offer by Bretton Wood institutions which include the International Monetary Fund and the World Bank. These diverse views have been influenced by the liberal and radical political economy perspectives. For those

with the liberal views, the IMF and World Bank developmental efforts have improved Africa's development crisis significantly. Archibong et al (2021), argued that the conditionalities of the Bretton Woods institutions which include privatization, fiscal discipline, subsidy removal and trade openness are not detrimental to the development of sub Saharan African states. Specifically, they noted that the economies of the countries that adopted these policies were significantly improved as they experience real GDP growth in the post 2000 period. They also argued for the need to complement the implementation of these policies with pro-poor policies. Njoroge (2018) in his comparative study of the impact of foreign aid in Africa with focus on Ghana and Angola argued that foreign aid have hybrid effect on development in Africa. For instance, he argued that development assistance in Ghana has promoted economic reforms, improved revenue at local level; reduce tax burden and revenue mobilization through tax reforms.

On the negative side, the development assistance and its conditionalities have resulted in depleted external reserve, elevated balance of payment deficit and increased domestic borrowing. In the case of Angola, the study argued that the development assistance also has bifurcated effect on development in the country. However, the study concluded that development assistance from Bretton Woods's institutions has improved development and reinforced government in the two countries under study (Njoroge, 2018). This implies that Bretton Woods's conditionalities have both positive and negative effect on developments in Africa. In another study conducted by a group of scholars on the impact of structural adjustment programs by IMF and World Bank on Nigeria, it was argued that, the development assistance of the international financial institutions has positively impacted the economic growth of Nigeria (Sulaiman et al, 2014). Similarly, Graham and Rolands (2017) using the LIC specific participation model argued that the credit facilities of the IMF and World Bank with their conditionalities generally have positive impact on economic growth in low income countries. On the other hand, several scholars have also expressed pessimist views about the impact of development assistance on developmental crisis in Africa. From a more radical perspective, Onyishi and Amoke (2018) argued that the impulsive nature of the market liberalization policies, as well as the privatization and deregulation initiatives which is the focal point of the Breton Woods reform agenda in the global south is a major causative factor for the present economic crises of unparalleled intensity in Sub-Saharan Africa. Specifically, their conditionalities which include privatization of state enterprise, elimination of subsidies and increased interest rates have worsened the economy of Sub-Saharan Africa (SSA) to the benefit of Western corporations and government (Ibid). Muhammed and Gaas (2016) and Dada (2020) also argued that in spite of the marginalization of Sub-Saharan States in power sharing, the decision

making apparatus as well as the policies and projects of IMF and World Bank are imperialistic tools used by these institutions to manipulate the developing countries of their resources to protect the interest of the West.

In his assessment of the adoption of the external development model and initiatives by the Bretton Woods institutions adopted by African states, Momoh (2023) revealed that African economies have not advanced in the area of growth and development. Hence, he concluded that the Bretton Woods institutions have not helped the development of African states. Writing from a Pan-Africanist perspective with the use of dialectical approach, Casimir et al, (2014), argued that the absence of a pan-Africanist developmental model is what led to the Bretton Woods inspired response to developmental plans and goals on the continent. These efforts as argued by the scholars have resulted in impressive economic statistics at macro level with worsening destitution, increased poverty and falling purchasing power parity.

The plethora of criticisms against the activities of the World Bank and IMF has elicited certain reforms from them. These include the Output Based Initiative (OBA) and the Heavily Indebted Poor Countries Initiatives (HIPC Initiatives). These two new lending innovations were expected to differ from the conditionality based aid of the Structural Adjustment Programmes (SAP). However, the new aid programmes have been criticized for possessing similar characteristics with the previous lending programmes as they represent an enigmatic new form of conditionalities (Mathewman, 2012). Basically, the two initiatives allow the IMF and the World Bank to have an implicit control of the political arena in the borrower countries. George (1989) writing on the imperialistic nature of Western financial institutions on Africa developmental crisis argued that the International consortium which is a guild of international financial institutions controlled by the West have exposed the states and the people from Global south to a fate that is worse than debt. Specifically, she noted that IMF as the executive agent of the West fund private banks and prioritize interest as their utmost concern. These loans either through IMF or other western lenders are offered in stages with stricter conditions. For Valiani (2023), African elites and the western financial institutions collaborated to underdeveloped African states through the instrumentality of financial aids. She further argued that African elites in the post-colonial era opted for a developmental model that aids the world capitalist structure which is similar to what was obtainable during the colonial days. Ndongo (2023), in his exploration of the systemic nature of the Global South's external debt establish a linkage between imperialism and debt crisis in the global south. Specifically, he identified debt crisis as a bait for the continuous political and economic domination of the countries in the global south by those from the global north. In this case, debt itself is not portrayed as the problem, but imperialism as the real issue while debt is a conduit.

## **Theoretical Framework**

Developmental crisis and the role of Bretton Woods institutions in sub-Saharan Africa have been explained from different theoretical perspectives by scholars. While some have used the liberal political economy approaches to explain the positive impact of the IMF and World Bank in promoting economic prosperity in the region. Others have argued within the Marxist radical political economy to demonstrate how these international financial institutions have further worsened the developmental crisis across the sub region through its financial aid conditionalities. In this study, I utilized the theory of Structural Imperialism which was developed by Johan Galtung as the analytical framework for the study. As an anti-imperialist theory, Galtung explained that inequality is a stark reality across all the nations of the world either in developed or developing countries. In his theory, Galtung analyzed how the global system is divided into the centre and periphery states with each possessing its own center and periphery. This distinction is characterized by inequality as well as the power to take decision on these issues. Imperialism in this context is described as a form of dominant power relationship that involves the splitting up of collectivities. The fragment of these collectivities then relates with one another on the basis of harmony and disharmony of interests (Conflict of interest). Within the centre, the relationship between center and periphery is largely based on harmony of interest, while between the centre and periphery and within the periphery is characterized by disharmony of interest.

The disharmony of interest is also described as conflict of interest which implies a special case of parties with incompatible goals (Galtung, 1971). This theory is relevant to this study because of its ability to provide explanation for the research question of this study which focused on the analysis of effects of the IMF and World Bank conditionalities in worsening developmental crisis in Sub Saharan Africa with Nigeria as a case. Specifically, the theory is useful in demonstrating how the conditionalities attached to the credit facilities of the Bretton Wood Institutions is creating a state of disharmony in the borrower states SSA which further results in political instability in those states. The theory is also useful as it helps in providing a distinct explanation about the different forms of conditionalities given by these institutions to their clients. The variants in the conditionalities do have different impact on the outcome of lender's policies on the borrower states. For instance, Samir Amin in his work "Imperialism and Unequal Development" provides a critical analysis of how structural imperialism perpetuates inequality and obstructs equal development in developing countries. Ander Gunder Frank in his work "Development and

Underdevelopment' also noted how structural imperialism undermines the development of developing countries by perpetuating their dependency on more powerful states. These works and many more underscore the appropriateness of this theory for this study.

### **Methodology**

The research utilizes data from both primary and secondary sources to conduct the research on the role of the Bretton Woods Institution on Developmental Crisis in Sub-Saharan Africa with Nigeria as a case study. For the primary sources, in-depth interviews were used to elicit data from respondents who are purposively selected because of the in-depth nature of the study and the need for information from expert sources. In all, 20 respondents were interviewed for the study. The in-depth interviews which is unstructured in nature was conducted with purposively 3 respondents each who are senior officers from the following Federal Ministries of Finance, Trade and Investment, Foreign Affairs and the Debt Management office. These government institutions were selected because of their role in policy formulation on the financial activities of the Nigerian government. Two representatives each were also selected from IMF and World Bank offices in Nigeria. These respondents were selected for familiarity with the activities of the organization that they represented. Furthermore, two respondents each who are senior academic staff were selected from the Department of International Relations and Department of Economics, Obafemi Awolowo University, Ile-Ife, Osun State. These respondents were selected because they have done extensive works on Developmental crisis in Africa as well as the role of neo-liberal institutions in promoting development in Africa. For the secondary source of data collection, data were sourced from published and unpublished scholarly works such as journals, seminar papers, articles, newspapers, books, magazines, internet sources, dissertations and government publications. These data was analyzed using explanatory and thematic content analysis.

### **Results and Discussion**

#### **Political conditionalities and its Impact on an aid system**

Conditionalities as it operates have been classified into two different categories which include the first and second generation conditionalities (Molenaers et al, 2015). The first generation of conditionalities involves the use of pressure by the donor government to either threaten to terminate aid or actually terminate or reduce it if the stipulated conditions are not met by the recipient government (Stokke, 1995). These variant of political conditionalities are usually punitive and reactive in nature while they are mostly used to sanction a country's democratic practice profile and human

rights record (Crawford, 2001). The second generation of political conditionalities which emerge in the post 2000s borders on the use of financial resources to sanction or reward recipients in order to advance democratic governance and human rights (Molenaers et al, 2015). Tracing the genealogy of conditionalities in global financial aid system, two types of conditionalities can be identified. They include intrusive and non-intrusive conditionalities. The non-intrusive conditionalities are the required stipulated condition which does not target political reforms in the recipient country. The intrusive conditionalities is also refer to as political conditionality. It sets targets of significant political and economic reforms for accessing financial aids. Perspectives about the effect of political conditionalities on an aid system differ amongst the respondents that were sample for the study. The conditionalities which are policy measures a country is expected to adopt to address the cause of its economic malaise appear logical from its face value. As stated by a respondent:

In the case of World Bank and IMF, the conditionalities were necessitated by certain developments from borrower nations like Brazil and Argentina in the early years of IMF and World Bank formation. This essentially has to do with their refusal to pay back debts owed to the twin institutions. (Interview, 15.10. 2021).

However, the conditionalities according to the lending institutions are expected to guarantee the effectiveness of the credit facility for the interest of both the lenders and the borrowers (IMF, 2021). Empirical evidence has shown that conditionalities attached to a credit facility do not necessarily guarantee the success of a credit system. In a sample study of 21 countries conducted by Klick (1997), it was revealed that conditionality applying donors are usually unable to effect a punishment and reward system to address the conflict of interest between the lender and the recipient government. However, for most countries that have been obedient in applying these conditions, it has been with dire consequences for the country. For instance, in about 10 years patronage of the IMF and World Bank and Nigeria under the OBA and HIPC initiatives, the country's GDP per capital is one of the lowest in the world with the highest been 3000 dollars in ten years(2011-2021) period examined. The reason for this is because the conditionalities imposed on the country by the Bretton woods institutions are usually super imposed without recourse to the political and economic realities in the country. From the viewpoint of a respondent who is a development economist, he noted that:

Conditionalities may be essential to the success of an aid system for the lending institution to

ensure proper and efficient use of the credit facilities (Interview, 18.10. 2021).

However, the conditionalities should not be intrusive in nature and it must take into consideration the economic and political realities in the receiving nation (Ibid). In assessing the reasons for failure of World Bank operations in Africa, Ika et al (2012) argued that the rigid adjustment packages imposed on African governments by the global financial institution is one of the cogent reasons for the dismal failure of the bank on the continent.

### **Bretton Woods conditionalities and developmental crisis in sub-Saharan Africa**

After series of criticisms against the structural adjustment programmes of IMF and World Bank in the 1980s and its negative effects on economic development, the two institutions decided to introduce reforms in sub Saharan Africa. These include the Output Based Aids (OBA) and the heavily indebted Poor Countries Initiative (HIPC) which were introduced in 1996 (Ali, 2011, Tubaldi, 2017 and World Bank, 2018). These two programs were designed as innovations that will address the real problem of acute poverty in low income countries of sub-Saharan Africa. The IMF under this new initiative developed the Poverty Reduction and Growth Trust (PRGT) which is an interest free loan. According to IMF (2021), the PRGT has three components which include the following:

1. The Extended Credit Facility (ECF) which is a medium term engagement that is used to assist low income countries with prolonged balance of payments menace.
2. Standby Credit Facility (SCF) which is a credit facility of the IMF that targets LICs with short term balance of payment and adjustment problems or as a prophylactic measure during the period of high economic uncertainty.
3. Rapid Credit Facility (RCF) which is instant development assistance for LICs with urgent balance of payment problems or in case of persisting or ongoing balance of payment needs.

These credit facilities are described by the IMF as concessional and interest free loan which implies that they have been designed with special privileges to the LICs. The World Bank on the other hand adopted the HIPC and OBA initiatives for debt sustainability and poverty reduction in heavily indebted nations (Gautam, 2003). These two strategies have been adopted by the World Bank to provide developmental services in the poorest nations of the world and most especially in SSA. Currently, 37 countries out of which 31 are in Africa are currently under the World Bank HIPC initiative (World

Bank, 2018). The cost of debt relief for the IMF under the HIPC initiative for poor countries is estimated at 76 billion US dollars (IMF, 2019). The World Bank on the other hand has spent about 100 billion dollars in debt relief for about 37 participating countries under its HIPC initiative (World Bank, 2018). In spite of the lofty nature of the Bretton Woods institutions initiative, it simply represents an old idea repackaged in a new form. This is because to be able to benefit from the aid relief of the World Bank and IMF, a country still has to meet up with certain conditionalities.

These attached conditionalities still include macroeconomic policies such as cutting of government expenditures, raising of taxes and other austerity measures. This is stipulated in the terms and conditions of IMF and World Bank's credit facilities. The conditionalities have resulted in excessive rise in consumer price index. This is because of different forms of austerity measures implemented by the government to keep up with the directives from the global economic centers. The conditionalities that are usually imposed by the Bretton Woods institutions (IMF and World) have been a major cause of disharmony of interest between the government and the people. As it is obvious in their policies, the essence of the conditionalities which are always intrusive in nature is to protect the interest of the lenders to make more profit at the expense of the people in the periphery who are yearning for an improved standard of living. This shows that there is mutually incompatible interest between the lenders at the center and the periphery in the periphery.

### **IMF/ World Bank Conditionalities and its Impact on Nigeria's real GDP and Per-capital GDP**

Despite been the most populous African nation with the highest GDP in sub-Saharan Africa, large number of Nigerians continues to wallow in poverty of different degrees as a result of the falling revenue on the part of the state. One of the major causes of the falling revenue is the conditionality attached to loans that are taking from IFIs such as the World Bank and the IMF. Nigeria's total debt owed to IMF and World Bank is estimated at 14 billion United States dollars (Ujah, 2021). In spite of the country's huge debt profile, about 89 million Nigerians which represents approximately 43% of the country's total population wallows in extreme poverty (World Bank, 2021). It is also estimated that 53 million Nigerians which represents about 25% of the country's population are currently vulnerable to fall into poverty (Ibid). One of the reasons for this is the abysmal consumer price index which has been on the increase since 2016 with a chronic effect of general increase in prices of goods and services. This has resulted in loss of jobs for many and mass underemployment for the active working population (Interview, 18.10.2021). For instance in 2023, the aggregate rate of unemployment and time related underdevelopment which is a fraction of the labour force

population was 15.5% of the 80.4% of the working age population in the Q2 of 2023 (National Bureau of Statistics, 2024). In the aspect of critical infrastructure such as electricity, over 85 million Nigerian currently lack access to stable power supply (World Bank, 2021). This also affects productivity as many factories have to either relocate from the country or completely shut down their operation due to unfavorable business environment (Interview, 10.09.2021). This has to do with high cost of production and excess tax from the government. The resulting effect of these policies is mass poverty and high level of unemployment which worsens developmental crisis in the country. Table below shows Nigeria’s GDP per capital in a ten year period.

**Table I: Nigeria’s GDP per capital (2011-2020) (Current US Dollars)**

2011	2487.60
2012	2723.82
2013	2961.55
2014	3098.99
2015	2687.48
2016	2176.00
2017	1968.57
2018	2027.78
2019	2229.86
2020	2396.04

**Source: (World Bank, 2021)**

As shown in table I, the per capital GDP which is the total income of an average Nigerian in a year is pathetically low compare to the economic reality in the country. Using the figure for 2014 which is the highest, a Nigeria earns 258.25 US dollars in a month which translate to 106,104 thousand naira per month. This figure is only real for those working in the public sector and especially under the federal government. The lowest Nigerian worker by the country’s minimum wage law is 30000 naira which translates to about 73 dollars per mount. However, the minimum wage was recently increased to 70000 naira while it is yet to be fully implemented. The new minimum wage despite the increase is lower than the previous as it is just about 43 dollar at the current rate of 1658 naira to a dollar. The implication of this bad and low wage remunerative system is that austerity measures orchestrated by the IMF

and World Bank in such an economy like that of Nigeria and other SSA will be counterproductive. In spite of the falling standards of real income in the country and increasing national debt profile, the IMF and World Bank have not accommodated Nigeria into their HIPC and OBA initiatives. The reason mainly is because the country has not met up with the basic criteria which are framed as conditionalities for accessing the initiatives. However, it was recently moved by the twin intuitions that Nigeria will be recommended to the G20 for Debt Service Suspension Initiative(DSSI) by low income countries until the end of 2021(Ujah, 2021). While this appears as a genuine concern for developmental crisis in the country, policy advices given by the institutions is still part of their conditionalities. Despite the argument that debt relief free up resources for social spending (Ali, 2011), there should be more concern about how to proffer permanent solution to the debt crisis of African states. According to Ampofo (2017) in his study about the impact of IMF Poverty Reduction Strategies and HIPC initiative on poverty reduction in Ghana. The study revealed that the programmes worsened economic disparity between the country’s wealthy south and poorer north. The implication of these is that debt relief and political conditionalities attached to the credit facilities of the Bretton wood institutions have had little or no impact in ameliorating developmental crisis in SSA. In the case of Nigeria which is the focus of this study, the GDP value from 2015 when the Buhari regime decided to cut government spending continue to shrink as reflected in table II below :

**Table II: Nigeria’s GDP (2013-2022) (Current Billions in US Dollars)**

2013	520
2014	574
2015	493
2016	404.6
2017	375
2018	421.7
2019	448
2020	432
2021	440.8
2022	472.62

**Source: (World Bank, 2023)**

The value reduced from around 574 billion dollars in 2014 to 472.62 billion dollars in 2022 according to World Bank data. The reason for the reduction in the productive capacity of the country is numerous. They include factors such as currency devaluation, removal of subsidy on petrol, gas and the cutting of public expenditure on critical sectors such as health, education, among others. While the policies are expected to have a long-term positive effect on the economy, its drastic impact on human capital development is also negatively impacting the growth of the economy. Recent findings in this regard has shown that the new Nigerian government of President Tinubu is mulling the idea of another IMF loan to cushion the effect of the subsidy removal on petrol and that of the currency devaluation which has drastically worsen the value of naira. This is the debt trap that these institutions have perpetrated to continue to keep African states under the shadow of their aids. It is instances like these that make African governments to often cite debt servicing and international credit ratings as the basis for their perennial policies of austerity (Valiani, 2023).

**Conditionality and its Impact on Poverty and Unemployment**

Since the period of her independence in 1960, poverty and unemployment has become an albatross and a cog in the wheel of Nigeria’s economic progress. However, the more pathetic reality is the fact that external intervention that seeks to ameliorate the crisis is making it worse. For instance in the mid-1980s and specifically under General Ibrahim Babangida’s regime, the IMF foisted a structural adjustment program on the Nigerian government. Successive Nigerian governments have also keyed into this program with different degrees of implementation. Bretton Woods inspired economic policies implemented have resulted in worsening living standards which is reflected in the high rate of unemployment and inflation level.

**Table III: Unemployment Rate in Nigeria (2015-2022)**

2015	10.4
2016	14.4
2017	20.42
2018	23.1
2019	17.6
2020	33.2
2021	25.1
2022	24.3

(National Bureau of Statistic, 2023)

Note: the figures on the table are expressed in percentages.

**Table IV: Inflation Rate in Nigeria (2015-2022)**

2015	9.5
2016	18.5
2017	15.3
2018	11.4
2019	11.9
2020	15.75
2021	15.61
2022	21.8

**(National Bureau of Statistics, 2023)**

Note: the figures on the table are expressed in percentages.

**Table V: Nigeria's Extreme Poverty Rate (2016-2023)**

2016	70
2017	71.6
2018	73.3
2019	77.9
2020	84.8
2021	86.6
2022	88.4
2023	90.1

**(World Bank, 2023)**

The data presented on table III and IV shows the trend in inflation and unemployment rate in the country from 2015 to 2022. This period was chosen because more policies of economic austerity were implemented during this era. However, an in-depth examination of this trend shows that the Nigerian government undertakes several policy efforts to stem the tide of persistent upward increase in unemployment and inflation in the country. This resulted in the minimal reduction in the unemployment and inflation trend. In spite of this, government continues to implement the imposed policies of IMF

and World Bank. For instance, under the Buhari regime, naira was devalued at different times, why subsidy on gas and petrol were partially removed until they were completely removed in May 2023 by the new regime of President Bola Tinubu. While the government continue to claim an increase in economic growth with minimal reduction in all the indices of economic development, multidimensional poverty (MDP) have continue to increase in the country. As shown on table V, the MDP has continued to increase from 2016 till it reached its peak of 90 million Nigerians at the end of 2023. This is in spite of many social investment programs that were implemented as well as the creation of micro, small and medium scale business to increase employment and lower poverty rates (Alvin Report, 2023). These efforts by the government failed due to austerity policies of subsidy removal on essential goods such as petrol and gas as well as the devaluation of currency which hugely worsen the purchasing power of an average Nigerian worker. The wage for the lowest cadre of worker in the country from 2018 to 2023 is 30,000 naira (Statista, 2023). This is equivalent to about 23 U.S dollars based on the current exchange rate of dollar to naira at the parallel market. On the average, the monthly cost of living in the country is around 137 thousand naira for a family (Statista, 2023). Hence this continuous depreciation of leaving wage is worsening poverty and unemployment rate in the country. This is because many more people fall into poverty while those that are already poor falls into extreme poverty. This in turn consequently have adverse effect on the developmental crisis in the country. In spite of this worsening level of poverty and unemployment in the country, income inequality has continued to be perpetrated by the political class against the working class. For instance the basic monthly salary of a Nigerian senator is N 1,500,000,00, while that of a member of a house of representatives is N1, 300, 000, 00 per month with N 52,000,000 and 32,000,000 respectively for annual office running cost (Bayewu, 2021).

These extreme income inequalities demonstrate the imperialist nature of the Nigerian political system in a state with persistent fall in worker's income. This validates Valianni (2023)'s argument that Western and African political elite connived to continue to worsen developmental crisis in Nigeria and Africa at large through the instrumentality of more aids which has continued to worsen developmental crisis on the continent. For instance, the combat against corruption by the political class in spite of their bogus office packages and promotion of social equality policies has never been part of the conditionalities for assessing these so called developmental loans. This is because the conditionalities and the loans have continued to promote the interest of the wealthy class both in the West and Africa at the expense of the poor masses on the continent.

## **Conclusion**

This study discusses the impact of the political conditionalities attached to the credit facilities provided by the Bretton wood institutions on developmental crisis in Sub Saharan Africa with Nigeria as a case study. Specifically, the paper is designed to answer the following important research questions: (i) How essential are conditionalities to the success of an aid systems (ii) In what ways has the conditionalities of Breton Woods institutions worsen developmental crisis in sub-Saharan Africa and how has the conditionalities impacted on Nigeria's real GDP and per-capital GDP. With reference to the first question, I argued that the essentialities of political conditionalities to the success of an aid system are a normative concern that requires a thorough reflection. Furthermore, I contended that the nature of conditionalities is a great determinant factor of the positive or negative impact of political conditionalities on an aid system. I identified two variants of political conditionalities which include intrusive and non-intrusive conditionalities. I further argued that for most countries in the SSA, the conditionalities imposed by the Bretton Woods institutions are intrusive in nature and as a result, it does not have positive impact on the credit facilities provided by the IMF and World Bank. The implication of this is that if the policies are non-intrusive in nature, it could have helped in providing important economic prescriptions that is suitable for the need of the developing countries of SSA.

For the second question, I argued that the new initiatives by the IMF and World Bank, despite their face values are still very much like the old conditionalities that the twin institution intends to reform. The two major initiatives which include the HIPC and OBA appeared from the face value appears adequate for the developmental needs of SSA states, but conditions needed to access them make them worse. In the case of Nigeria, the conditionalities have resulted in inflation and excessive rise in consumer price index. This has further worsened poverty and unemployment level in the country. The immediate effect of the harsh economic policies is cases or instances of political instabilities which is caused by worsening living condition in the country. For instance, in 2020, there was an EndSars protest in the country which turns violent after few days. The protest was a metaphor against bad governance and underdevelopment in the country. It became a necessity as result of the worsening living condition orchestrated by government's commitment to harsh economic policies dictated by the Bretton Woods institutions. Similarly, there have been rising cases of instabilities in SSA countries which include Mali, Sudan, and Republic of Guinea among others. These cases of instabilities are predicated on worsening living conditions which is orchestrated by the harsh economic policies dictated by the Bretton Wood institutions to the countries in the sub-region. It is on this

basis that the argument of this study is substantiated that the Bretton Woods institutions in spite of their reforms through initiatives such as Output-Based Aid (OBA) and the Heavily Indebted Poor Countries Initiative (HIPC-Initiative) have continued as an imperialistic tool for perpetuating developmental crisis in sub-Saharan Africa. The policies of these institutions despite its face value target at economic growth and development have worsened economic underdevelopment in the region.

### **Recommendation**

Based on the findings of the study, certain recommendations for policy makers and researchers are suggested. For the government, there should be a comprehensive evaluation of the historical and current impact of Breton Woods's institutions on Nigeria's economic development. This evaluation should focus on loan conditionalities, structural adjustment programs and their overall impact for economic growth and the development in the long and short term. Policy makers should engage diverse range of stakeholders which include local communities, civil society organizations and academic experts for proper guidance on the appropriate policies to be adopted. Lastly, social equity should be prioritized in any structural adjustment policy to be implemented while such policy response should reflect the needs of Nigerians. Future research should focus more on context specific recommendations that addresses Nigeria's unique developmental challenges within the context of the framework of overseas development assistance.

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