THE STRUCTURAL ADJUSTMENT PROGRAMME IN ASSISTING AFRICAN DEVELOPMENT: THE CASE STUDY IN NIGERIA

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ABSTRACT

Structural Adjustment Programme (SAP) is an economic reform policy package which was suggested by IMF and World Bank for developing countries. Many developing countries includes African countries set this SAP to solve their economic problem. But there is still no guarantee that this program will able to stimulate the economic development in the developing countries. This thesis will mainly discuss about how SAP influences the economic development in African countries specifically in Nigeria as a case study. I would like to show that SAP has a positive contribution on Nigeria economy growth. According to the data, this thesis supports the IMF and the World Banks policies to enhance the stability of economy especially in Niegria.

Keywords: Structural Adjusment Programme (SAP), Nigeria, Developing Countries, Economic Development

A. INTRODUCTION

Background

Structural Adjustment Programme (SAP) is an economic reform policy package which was suggested by IMF and World Bank for developing countries. This program was created to assist developing countries in dealing with economic global economic crisis in 1970s and to assist development program by providing a "conditional lending" (Logan, 2015). The "conditional lending" means to get the loan or receive the debt and the governments of developing countries are obliged to adjust their economic policies. The term of adjusment policy should be implemented through privatization and liberalization economic policies. As result, the recipient countries must open their economy in order to ensure the sustainability of economic progress, economic and trade integrations, and foreign competitiveness in the global market. (Sulaiman, Migiro, & Aluko, 2014, p. 41).

As mentioned above that the SAP was created under strong influence of neo-liberal ideology, means, the program tries to reduce the government intervention in the market system. The recipient countries have to implement programs that is offered by IMF. The programmes for Structural Adjustments also often referred to as The Washington Consensus include as the following aspects (Greenberg, 1997):

1. Spending cuts and increasing taxes, or also known as Austerity.
2. Focus on economic output on direct exports and resource extraction.
3. Currency devaluation.
4. Trade liberalization, increased imports and export restrictions.
5. Increasing investment stability (complementing foreign direct investment with domestic stock market opening).
6. Balancing budgets and not overspending.
7. Removing price controls and state subsidies.
8. Privatization or releasing of all or parts of state-owned enterprises.
9. Increasing the rights of foreign investors.
10. Improving governance and combat corruption.

After implementing those programs, IMF believes that the economic growth of developing countries will grow faster and able to chase up the develop countries. These programs are designed for developing countries to be able pay back the debts. Thus, IMF will associate the developing countries along the proces of Structural Adjustment Programme in order to achieve the goals namely economic growth and development.

In this regard, talking about developing countries will also talk about African countries. Africa continent is the biggest continent with the largest number of poor and developing countries. The development of each country in Africa can be mentioned as the lowest development compared with other four continents. One of the developing countries in Africa is Nigeria. Nigeria was hit a serious debt crisis in early 1980s. This crisis was triggered by the declie of oil prices as the country's main export and rised the real international interest rates that was worsening the external debt burden. The domestic policy mistakes was also a major cause of this crisis. (Aigbokhan, Poverty, Growth and Inequality in Nigeria: A Case Study, 2000) It was the worst crisis in its history since the shifting system into the world capitalist system. The Nigerian economy was really underperformed as indicated in the below graph.

Then, in 1986, as the respond of that economic crisis, the Government introduced the Structural Adjustment Program (SAP) as the way to cure the crisis and to solve the new challenges of the further collapse of oil revenues. The objective was to help promoting economic efficiency and private sector development as a basis for improving prospects for long-term growth. Nigeria's SAP combined exchange rate and trade policy reform (aimed at revitalizing the non-oil economy) with stabilization policies (designed to restore equilibrium to the balance of payments and to make prices more stable). The programmes included rapid and sizeable exchange rate devaluation, trade and financial reforms, and budgetary and monetary contractions. (Aigbokhan, Poverty, Growth and Inequality in Nigeria: A Case Study, 2000)

Specifically, the major objectives derived from the above policy reform consist of (Tackie & Abhulimen, 2001):

a. Restructuring and diversifying the production base of the economy in order to reduce dependence on the crude oil sector and imports.
b. Achieving fiscal and balancing of payment viability over the period.
c. Laying the basis for a sustainable non-inflationary or minimal inflationary growth.
d. Reducing unproductive investments in the public sector, improving the sectors efficiency level and intensifying the growth potentials of the private sector.
e. Reducing government deficit.

Based on the above background, the writer would like to examine the implication after the implementation of the Structural Adjustment Programme from IMF in Nigeria. The Structural Adjustment Programs was introduced by Nigeria in order to resolve economic crisis that happened in 1980s.

Research Question

Based on the background mentioned, this thesis has one research question:

"How the implication of Structural

Adjustment Programmes (SAP) on the economic crisis in Nigeria?"

Theoretical Framework

This thesis is using theory of **neo-liberalism**, enlightened by Adam Smith and David Ricardo. The basic assumption of classical liberalism in the nineteenth century is that in time, the profits will be gained by all parties if markets are allowed to work freely with other countries. This is because the market is seen as the most efficient tool for regulating human production and exchange, which works almost like The Invisible Hands that coordinate economic activity. Moreover, in these last years, the economic interdependency has tied countries more tightly because the economies are globalized which is signed by, (1) information is available universally, (2) technology has integrated states, banks, in one network, (3) technology has decreased the limitation in international economic system that will open wider the new world market system, and (4) production and consumption occur globally as well. (Jackson & Sorensen, 2013, p. 213).

Departing from the basic assumptions mentioned above, a few years later, neo-liberal economic theory emerges and is very influential in the practice of developing countries in the world, especially in countries called Third World countries. Neo-liberalism believes that the free-market economy is the most efficient resource provider, and the most effective means of sustaining a country's economic growth. Moreover, the presence of international economic organizations such as the IMF, the World Bank, and the WTO really support this system. So, it will be so costly in the terms of welfare if countries deny this system (Jackson & Sorensen, 2013, p. 213).

Neoliberalism is an understanding of the Economy which prioritizes the system of Free Trade Capitalism, Market Expansion, Privatization / Sale of SOEs, Deregulation / Disappearance of government intervention, and reduction of state's role in public services such as education, health and so on. Neoliberalism was developed in 1980 by the IMF, World Bank, and US Government (Washington Consensus), which aims to encourage Third World countries to engage in free, international economic competition. The Economic System of Neoliberalism eliminates the role of the state altogether except as a "regulator" or a "stimulus" to help private companies which is going to bankrupt. According to the Adam Smith, the key notion of economy market-place which limits the state interventions is the main source of development progress, cooperation, and economic welfare. In contrast, the state interventions will lead to conflict, retrogressive, and uneconomical (Jackson & Sorensen, 2013, p. 290).

The theory of neo-liberalism cannot be separated with modernization process. Modernity will create a new life which is better, free from authoritarian government, and the higher level of society welfare. The basic idea of modernization theory is the Third World countries should be expected implement the same developmental path that has been taken by the developed countries in the west, such as like a progressive process from a traditional, pre-industrial, agrarian society into a modern, industrial, and mass-consumption society. Economy liberals underline the need of open market based on the market-place, free from state intervention in order to help generate the large amount of investment required to foster sustained economic growth and development. By implementing modernization, the Third World countries are expected to have the modern sector investment increases minimum 10 per cent of the Gross National Product (GNP). (Jackson & Sorensen, 2013, pp. 328-329)

Third World countries are deemed necessary to improve many shortage conditions. The conditions that need to be improved related to: decreasing mortality rate and birth rate, decreasing the influence of the family, opening the system of stratification, changing the feudal system to the bureaucracy, declining the religious influence, shifting the education system from family and community to formal education system, the emergence of mass culture, and the emergence of the market economy and industrialization. (Sunarto, 1993) Thus, those improvements will able to achieve a successful economy in the Third World countries.

A successful economy is an economic condition of countries when they have a rapid economic development. Economic development can be measured by using these three indicators:

a. **Investment.** A health and stable economy of a country will attract foreign investor to invest in states. (Bill R. Shelton)
b. **Agricultural.** The overall increased of agricultural production will as well as increase agricultural exports, and supposed to improve the contribution of agriculture to a positive growth in real GDP growth rate. (Tackie & Abhulimen, 2001)

c. **Manufacture.** Industrial sector have a big contribution on counties economic development by providing jobs, capitals, and value added creation. (The World Bank, 1994)

The above theories are obviously relevant as instrument to analyze the SAP's implications on Nigeria's political economy. First, the policies that are contained in SAPs reflect the ideology of neo-liberalism. Actually, SAPs are the instrument to over watch and control on Nigeria to avoid abuse from Nigeria. So, Nigeria is obliged to liberalize the trading system, to be more market oriented and capable to produce maximally.

Liberalization activities which are implemented in Nigeria are not only in terms of economy, but also in terms of political economies. The activity is carried out by making fiscal policies that are ready to encourage production activities which are free from intervention from outside or from domestic. The SAPs that implicate the financial structure of Nigeria includes (Greenberg, 1997):

a. Balancing program of state expenditure in order to not overspending
b. Government budget cuts
c. Devaluation of currencies, and programs investment by opening investment capital opportunities.

Hypothesis

Based on the above introduction, the implication of SAP towards Nigeria is the Nigeria's economic went successfully in positive trend that indicated by following achievement such as:

1. The increased of agricultural production
2. The improvement of manufacture sector.
3. The increased of foreign investment.

Purpose of Research

1. To examine the implementation of SAP in Nigeria.
2. To assess the economic condition in the post Nigerian economic crisis in 1980s.
3. To scrutinize the positive impacts of SAP implementation in Nigeria.

Scope of Research

Limitation of research in a research study is necessary as a step to avoid the breadth of the objects of research deliberations and facilitate the author in conducting research. This matter intended to make the object of research more clear and specific. This Research will be limited to the implications of SAPs towards Nigeria economic crisis in Nigeria from 1986 - 1992.

Methodology Research

The research using the library research with secondary data from books, journals, newspapers, and internet sites. The data collected mainly focuses on the SAP, globalization, domestic politics and economic conditions of Nigeria before, during, and after the SAP is implemented, as well as the international political and economics response on SAP in Nigeria.

B. STRUCTURAL ADJUSTMENT PROGRAMS AS INSTRUMENTS FOR THE THIRD WORLD COUNTRIES DEVELOPMENT

History of Structural Adjustment Programmes

Discussing about the history of Structural Adjustment Programs could not be separated with the IMF that suggested SAP itself as the instrument for the Third World countries economic development. The International Monetary Fund or known as IMF is an organization of 189 countries today, that has objectives to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. IMF was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944 and established in 1945. A repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s encouraged the 44 countries at the conference to create an institution for economic cooperation. (IMF, 2017) The Great Depression is a condition when the global economic rate decline drastically in a short period due to declining stock prices around the world.

The Bretton Woods Conference in July 1944, produced and ratified the draft of the Articles of Agreement of the International Monetary Fund which later became the forerunner of the Bretton Woods system implementation in International trade as well as signify the birth of the new world economic order through the Neo-liberalized economic system ideology. The draft includes (Sanford & Weiss, 2004):

1. Promoting international monetary cooperation
2. Promote exchange rate stability.

3. Expanding and improving a balance international trade.
4. Create resources from funds available to member countries.
5. Assisting to build multilateral payment systems and eliminating restrictions on Foreign Exchange.
6. Reducing imbalance international transactions

Then, most of new independent countries, especially African countries impose a big number of foreign loans from Private banks and western countries and hope later the sales result of their natural resources was able to pay off the debts. Unfortunately most of them could not afford to pay the existing foreign debt. A series of economic crises in the 1970s caused a worldwide recession in the 1980s, which plunged many developing countries into debt traps. (Ismi, 2014)

In reaction to the debt crisis, in 1985, Secretary of the Treasury of the United States James Baker initiated a new policy of Structural Adjustment Programs. This policy is based on what is called the Washington Consensus. Under this new policy, countries that want to get debt from the IMF and the World Bank must commit to re-structuring or reforming their economic policies that lead to export-led growth, reducing the role of the State in the market, and privatization of public sectors (Greenberg, 1997).

The SAP believes that the role of the State in the economy must be reduced, and the economic openness to the outside world is an essential component of the neo-liberal consensus; the government must reduce or abolish all rules, privatization of State or public companies and move from industrialization of import substitution to export-oriented strategy. Where in the wider context requires the Government of a country that obtains debt to reduce government spending in order to control inflation; liberalize imports and remove all obstacles to foreign investment; privatization of State-owned enterprises; reduce the value of the currency and reduce or eliminate all regulations protecting local workers (Sulaiman, Migiro, & Aluko, 2014).

The Principles and Programs of Structural Adjustment Programmes

Structural Adjustment Programmes (SAPs) is an economic reform policy package which was suggested by IMF and World Bank for developing countries. This program was created as the requirement for the receiver countries to be able pay off the debt. The term of adjusment policy should be implemented through privatization and liberalization economic policies. As result, the recipient countries must open their economy in order to ensure the sustainability of economic progress, economic and trade integrations, and foreign competitiveness in the global market. (Sulaiman, Migiro, & Aluko, 2014, p. 41).

The SAP was introduced when in 1980, developing countries were unable to pay back loans taken from Western commercial banks which had gone on a huge lending binge to Third World countries during the mid to late1970s when the rising oil prices occurred. The World Bank and the IMF imposed SAPs on developing countries which needed to borrow money to pay back their debts. The World Bank's SAPs, first instituted in1980, enforced privatization of industries (including necessities such as healthcare and water), cuts in government spending and imposition of user fees, liberalizing of capital markets (which leads to unstable trading in currencies) market based pricing (which tends to raise the cost of basic goods) higher interest rates and trade liberalization. SAPs evolved to cover more and more areas of domestic policy, not only fiscal, monetary and trade policy but also labor laws, health care, environmental regulations, civil service requirements, and energy policy and government procurement. (Ismi, 2014)

SAPs are designed to accelerate the practice of export productivity growth, privatization and liberalization, and exploit the efficiency of the free market. SAP usually requires a country to abolish the price control and subsidy of the government and devaluate the value of the currency in the country against the dollar. The key element of SAPs is classic neoliberal economic features. This understanding assume that the most productive economy can occur if individuals are allowed to have freedom as much as possible to engage economic activities to achieve the full benefits of their work (Rapley, 1825). In line with neoliberal economic principles, economic activities in the Third World countries requires to find their way out of debt and poverty by improving natural resources export, agricultural development of monoculture industry for exports activities, and investments in infrastructure, as well as for the purpose of export activities, which will affect the cuts spending on health, education and welfare.

SAP also encourages the receiver country to privatize state enterprises (privatization), and the removal of constraints on foreign and capital investment. The policies in SAPs generally cover four maintenance reforms in the form of (1) economic reform, (2) trade liberalization, (3) government reform and (4) private sector policy reform. Economic reforms by SAPs include restrictions on growth of money and credit, the power of currency devaluation and reform financial sector. This structural adjustment program as well as introducing such revenue-generating measures program creates services that are affordable for poor society. Reform of trade liberalization is done through high tariff elimination, rehabilitation of export infrastructure and increase in production prices. Government reform is organized through excessive government salary cuts. SAPs also emphasize for the removal of excessive and inefficient institutional activity in addition to public company privatization and reform administration and public institutions. Control over pricing and government monopoly becomes important to do as an effort SAPs in reforming private sector policy. (Mingst, 2004, p. 261)

Privatization and deregulation are combined to eliminate bureaucracy, improve efficiency and productivity, improve quality, and reduce costs both on consumers through cheaper commodities or services and indirectly through tax deduction. Continual improvement in productivity should provide a higher standard of living for everyone in a country. This is based on the assumption that best poverty eradication can be guaranteed through free market and free trade. (Harvey, 2007)

Through SAPs, IMF believes that the programs that are suggested for the Third World countries are able to improve the economic development. By liberalizing the economic policy and deregulations of government role, it will give as much as possible freedom to the individuals and encourage individuals to be more responsible for their own actions. Moreover, free market and free trade can guarantee poverty eradication in Third World countries.

C. STRUCTURAL ADJUSTMENT PROGRAMS IN NIGERIA

History of Nigeria Economy

The Nigeria Economy is going ups and downs. Good days and bad days come and go in several histories. Nigeria economy had experienced its best in the past and it had also experienced the worst one. After the independence, Nigeria had a very promising signs about its economy that Nigeria had 25% of all the population of Africa (Nigeria Finder, 2017). Nigeria was viewed as an emerging economy by many international actors across the world. Unfortunately, the emerging economy of Nigeria never happened like many people thought before.

Petroleum was founded in Oilibiri around 1950s, and then continuously founded in Afam, Bomu, Ebubu, and Ughello. Since then, Petroleum became the most important source of Nigeria economic incomes. The discovery of oiled fields in Nigeria had attracted many MNCs to explore more. It is not a surprise that according to Nigeria government in 1970s, the oils reserves was around 27 billion barrel. (Genova & Falola, 2003)

Oil industry in Nigeria was getting into problem when the sibling war occurred in 1967-1970. In fact, after that conflict, Nigeria was in oil boom period. During the oil boom period, Nigeria government used the income from oil industry to increase the level and capacity of imported goods, which in the other side destroy the domestic economic. Nigeria became too dependent to the imported goods that actually can be produce if Nigeria could encourage the diversify of agriculture and manufacture sector. As a result, many farmers were leaving their rice fields to have another job that can guarantee their life in the future because agricultural production is no more productive and had been replaced with oil industry.

The oil boom period did not last long. In 1976, the income from oil industry decreased and Nigeria government announce that the oil boom period was over. By this, Nigeria was entering the period of oil blust. This oil blust condition enforced the Nigeria government to get loan from the western country to be able to sustain and implement the existing domestic programs that had been planned. The debt was continuously increasing and Nigeria became dependent on foreign debt. This condition enforced the Nigeria condition to limit the popular goods in the society by creating a new program called Operation Feed the Nation's (OFN). By creating OFN, the government expected the society can reduce the dependent on popular goods, including foods. Unfortunately, this effort was failed and the foreign debt of Nigeria increased significantly. (Genova & Falola, 2003, p. 142)

The Economic Crisis in Nigeria

Impact of oil boom and oil blust on Nigeria economic was really significant and impacted to all economic aspect in Nigeria. The oil blust condition enforced Nigeria to get more and more loan from the western countries that caused foreign debts. Non-oil production became the main issue that had to be improved to stabilize the economic condition. Diversify on agriculture and manufacture could decrease the dependent of Nigeria on oil industry. In the end, Nigeria suffered a big loss.

rate in 1982-1985 was really under average that can be seen from the above table. The decline in oil export meant a similar decline in government revenue and investment expenditures. Gross domestic product (GDP) in 1981 fell by 5.9 percent and the index of industrial output fell by 7.9 percent. The balance of payments moved from a surplus on 1868.9 million Naira and 2406.2 million Naira respectively in 1979 and 1989 to a deficit of 4.3 billion Naira in 1981 as the glut in the international oil market continued. This led to a heavy drain on the external reserves. At the same time there was an upward pressure on domestic price level. The inflation rate which had earlier fallen from 11.8 percent in 1979 to 9.9 percent in 1980, rose substantially to 20.8 percent in 1981. (Aigbokhan, 1991, p. 53)

Imports declined marginally 2.7 percent, which reflects the relative inelasticity of imports demand in Nigeria. Thus, the balance of payments further deteriorated, with a deficit 5.2 billion Naira in 1982. In 1983, GDP fell by 6.4 percent, agricultural output fell by 9.5 percent and manufacturing output fell by 25.1 percent while the inflation rate increased from 7.8 percent in 1982 to 23.2 percent in 1983. External debt service payments rose by 62.5 percent from 0.8 billion Naira to 1.3 billion Naira, with the corresponding increase in debt service ratio being 8.9 and 17.5 percent respectively.

Moreover, Inflation pressure worsened and unemployment became very serious that was caused by the dismissal workers and university fresh graduates that crowded the labor market. The situation did not show any improvements in 1984, when the GDP fell by 0.6 percent, and industrial and manufacturing output fell by 10.2 percent. Moreover, inflation rate rose by 39.6 percent and made the food index increase as well by 42.9 percent. Along with these condition, many manufacturing company closed temporary or operated less than full capacity.

All these condition made the recession worsened, moreover in late 1985 and early 1986, the world oil markets contracted once again that makes Nigeria's economy was already on the verge of crisis. Economic Stabilization Measures (ESM) were to stabilize the economic crisis in the first time, unfortunately failed because the Government too focused on maintaining the artificially high value of its currency to contain inflation rather than allowing the exchange rate to depreciate as a way of stimulating economy. Capital outflow total 10,463 million Naira and debt service ratio was 33.2 percent. It became apparent that Nigeria was an economic crisis. On October 1, 1985 the government declared a State of National Economy Emergency for a period of fifteen months during which new policy measures were adopted aimed at revamping and stimulating the economy. (Aigbokhan, 1991, p. 55)

The Implementation of Structural Adjustment Programmes in Nigeria

The Government adopted the Structural Adjustment Programs in July 1, 1986. It emphasized reliance on market forces and the private sector in dealing with the fundamental problems of the economy. The SAP was originally intended to last for two years, but was extended when it was realized that implementing many of the reforms required more time. The objectives of the SAP were (Tackie & Abhulimen, 2001):

1. Restructure and diversify the productive base of the economy to reduce dependency on the oil sector and imports.
2. Achieve fiscal and balance of payments viability over the medium term.
3. Promote non-inflationary economic growth.
4. Lessen the dominance of unproductive investments in the public sector, improve the sectors efficiency level and intensify the growth potentials of the private sectors.

The growth and inflation objectives for 1987-88 were a real GDP growth of 3-4 per cent and a reduction of inflation to 9 per cent per year on an average annual basis. It was thought that the anticipated devaluation of the Naira would have a considerable impact on consumer prices. Thus, to achieve those objectives, the SAP possesses some features as the main elements of the programs.

Various policy measures related to SAP generally have been pursued into various degrees of implementation coincided with a number of complementary policies and programs. The various degrees of implementation aimed to alleviate side effect of the adjustment policy and get people used to it. The programs and policies produced the establishment of the National Directorate of Employment (NDE) in 1986; a SAP relief package introduced in 1989; the establishment of the Urban Mass Transit Programme in 1988; establishment of the People's and Community banks in 1989/90; the establishment of the Directorate of Food, Road and Rural Infrastructure (DFRRI) in 1986; a reflationary budget package in 1988; the 1991/1992 relief package for public sector officers; the reform of the civil service; and the Better Life for Rural Dwellers' Programme in 1989. (National Centre for Economic Management & Administration (NCEMA), 2004)

As a result, a significant progress was shown in the liberalization of economy that has brought a few tangible benefits to the people. The improvement of agricultural sector, manufacture sector and the coming of foreign income have stimulated the Nigeria economy. Thus, the implication of Structural Adjustment Programs was positive towards Nigeria economy.

D. THE IMPLICATION OF THE IMPLEMENTATION STRUCTURAL ADJUSTEMNT PROGRAMS IN NIGERA

Implication on Agriculture

Agriculture in the very first beginning was the main sector of Nigeria's income before the discovery of oil fields. The major problems of agriculture in Nigeria was its total neglect and the poor performance impacted in the decline of its contributions to the GDP, domestic industrial inputs, and exports in the face of the crude oil wealth illusion.

The overall objective of implementing structural adjustment in the agricultural sector was to increase agricultural production and export of agricultural products. Regarding to the relative importance of agriculture to the economy, this was supposed to contribute to the improvement in the economic growth.

Despite the difficulties in the implementation and the overspending policies in corporated with the SAP, it produced some results. In contrast to an average decline of 2-3 percent per annum between 1980 and 1986, Nigeria's real GDP grew 5 percent per year between 1986 and 1992, primarily reflecting a recovery in agriculture and manufacturing. Consistent with Nigeria's comparative advantage, the agricultural sector experienced a long-awaited comeback. Following a SAP-related shift in relative prices in favor of the rural sector, the production of traditional food crops and cash-crops increased, and agricultural output grew at an average rate of 4 percent per year. (The World Bank, 1994)

During the adjustment period, the real depreciation of the Naira improved producer prices, while the elimination of marketing boards and liberalization of trading had a very positive impact on a variety of agriculture. In the mid 1986s, agricultural production expanded. The real sector's value added more than 25 percent between 1986 and 1992, which meant an average annual growth rate of 3.8 percent.

In the end, SAPs had a positive impact on agricultural production that impacted positively the net agricultural exports, which in turn, had a positive impact on the contribution to GDP, which ultimately led to a positive impact on real GDP growth rate. This indicates that overall SAP is beneficial to the Nigerian agricultural sector and economy. Therefore, the Nigerian authorities should keep the SAP policies in the agricultural sector in place. Since agriculture is very important to the Nigerian economy, any improvements in this sector ultimately influences growth of the overall economy.

Implication on Manufacture

In the late 1950s, Nigeria had a very measurable level of optimism toward the manufacture sector. The country's present mainstay, oil industry, was in its beginnings and the Nigerian economy was mainly industrial and agrarian. Everyone believed that Nigeria was inches away from becoming an industrialized country that will bring positive impact to the economy of Nigeria. In fact, Nigeria has never attained sufficiency in generated power, despite her huge energy resource endowments. The direct impact has always been an unhealthy competition between locally manufactured goods and imported goods. Moreover, when the oil industry grew, the other industry sectors were ignored. (Mama, 2016) Thus, Structural Adjustment Programs was adopted in 1986, as an alternative framework for addressing the weaknesses and ineffectiveness of previous development planning efforts.

The proposal for the industrial reform related to the privatization and commercialization to improve production efficiency. Labour perceived socioeconomic implication of this proposition was the possible enlargement of the size of the middle class which was dependent on capitalism for its privileges with further implications on workers retrenchment and other socio-political problems. Besides, there were critical issues about over or under priced assets and private interests that so called unprofitable public ventures. All of these issues led to the suspicion that appropriate solution to the problems of the industrial sector could possibly be a mirage.

The SAPs also strove to stimulate some subsectors and divert resources away from others to produce a structural shift toward export-oriented production and the domestic sourcing of inputs. To enhance the private sector's role in resource allocation, there were also measures to eliminate the lower market distortions and unnecessary public interference.

The most important effect of adjustment for the manufacturing sector was the realignment of relative prices induced by the devaluation of the Naira. The SAP's initial fiscal and monetary policies helped control inflation and ensured flexibility in the determination of the exchange rate, so that, in real terms, the devaluation was successful. A new auction-basedforeign exchange allocation system helped to ensure that foreign exchange (whose availability had been dramatically curtailed by falling oil prices) would be allocated among sectors on the basis of market incentives rather than government fiat. The SAP also included the removal of import licenses, the simplification of the tariff protection system, and the adoption of various export promotion schemes.

Adjustment helped the manufacturing sector reverse the decline that had brought it, by 1986, to 51 percent of its 1982 level. From 1986 to 1992, under the SAP, manufacturing value increased by 33 percent in real terms, or about 5 percent per year, with most growth occurring between 1987 and 1990. Manufacturing growth was about equalto overall GDP growth, and the share of manufacturingin total output remaining roughly constantat 8 percent. In nominal terms, however, the share of manufacturing in Nigeria's non-oil GDP fell from 14 to 12 percent, indicating a 13-percent fall in the price of goods relative to the overall price of non-oil outputs. In the early years of the SAP era, relative prices fell by over 25 percent, then recovered thereafter. (The World Bank, 1994)

During the SAP period, Nigeria manufacture showed some improvements. Despite its small size, manufacturing is still important to the Nigerian economy, although only little growth was recorded. Furthermore, Manufactring had long been protected in one form or another, and many structural obstacles remained in place. The existence of SAPs helped Nigeria to tackle the obstacle. Growth in this sector must be attributed to a very strong response to trade liberalization and exchange rate adjustment by a relative small part of the sector. In view of the sector's structure in Nigeria, the magnitude of the economy reform of the structure since 1986 is worthy.

Implication on Foreign Investment

The successful economic development is when the country is able to attract foreign investor to invest. After implementing SAP, Nigeria could attract many foreign investor that recorded by the table below. The foreign investor coming because they saw the Nigeria economic development was successful that causes economic stability in Nigeria. The agriculture and manufacture sector was successfully sustaining the Nigeria economy.

SAP in 1986 initiated the process of termination of hostile government policies towards FDI. Hence, in 1987 FDI inflow increased from 432.5 million Naira or 0.6% of GDP in 1985 to 2,456.2 million Naira or 2.3% of GDP. In 1989 it was 13,877.4 million Naira or 6.3% of GDP and almost 53 times of the 1985 pre-SAP figure. The figure rose further to 75,940.6 Naira and 115,952.2 Naira or 3.9% and 2.4% of GDP in 1995 and 2000 respectively. 2008 and 2009 witnessed an inflow of 971,543.8 Naira or 4.0% of GDP and 1,263,659.1 Naira or 5.1% of GDP respectively. On the whole, FDI inflow formed about 3.15% of GDP over the whole analysis period. (Ogbonn, Uwajumogu, Nwokoye, & Nzeribe, 2012, p. 34)

Between 1987 and 1992, Nigerians' real per capita investment expanded by more than 35 percent. The quality of investment in Nigeria increased as well. Using three years moving averages, it was possible to see that Nigeria's GDP growth decelerated steadily from 1973 to 1983, until it turned to negative trends. Aggregate investment, on the other hand, increased dramatically in the 1970s more than 50 percent of GDP. But then, in the next decade, the investment fell continuously. Fortunately, when SAPs began to be implemented, the positive growth resumed. By the early 1990s, Nigeria had sustained GDP growth above *5* percent and an investment ratio more than 15 percent. Compared with the high oil-price period, the quality of investment in Nigeria appears to have improved during the SAP era. One indicator of these trends is a comparison between the investment-GDP ratio and the rate of GDP growth. Given that the actual investment-GDP share and the growth rates have fluctuated sharply year to year, the numbers presented are based on trends-throe-year moving averages-rather than on actual figures for GDP and investment. These estimates show that as Nigeria began to enjoy the effects of improved terms of trade in 1973, GDP growth decelerated and kept falling steadily through 1983. While in 1974 GDP was growing at rates above 6 percent, in the early 1980s GDP growth turned negative. Aggregate investment increased dramatically in the 1970s, peaking around 1977-78 at more than 50 percent. After that, this ratio fell continuously through 1989, when it was 14 percent, until positive GDP growth resumed after the mid-1980s. In the early 1990s, the investment/GDP ratio increased to more than 15 percent, and GDP growth was sustained at average rates above 5 percent. (The World Bank, 1994)

E. CONCLUSION

The positive implications toward the implementation of SAPs are indicated by the improvement in several sectors, including agriculture, manufacture, and the coming of foreign investment. Those three sectors was falling in the 1980s before the SAPs was implemented. Fortunately, after the implementation of SAPs, those three factors significantly increase and affected to the real GDP growth and make the Nigeria economy growing slowly.

In the Agricultural sector, SAPs is successful to increase the number of production. It is proven by Nigeria is the largest producer of cassava today. Moreover, half of the Nigeria income is coming from agriculture. It cannot be denied that SAPs have changed the perspective of the government to diversify the agriculture in order to create economic stability. In other sector, manufacture, although only have a little improvement, it still have a big contribution to the Nigeria economy. The existence of SAPs helped Nigeria to tackle the obstacle in manufacture sector. Growth in this sector must be attributed to a very strong response to trade liberalization and exchange rate adjustment by a relative small part of the sector.

Furthermore, Under SAPs, Nigeria is successful to attract the foreign investor to invest in Nigeria. It started by the shifting on the economic policy that produced a stable economy condition. The stable economy condition of Nigeria can be seen as a sustainable condition for the private sector to give guarantee to the investment.

In this undergraduate thesis, I am as the writer realizes that this research can show the positive implication of the implementation of Structural Adjustment Programs towards Nigeria economy. However, the lack of literature accompanied me in writing this undergraduate thesis. Mostly, the literature that I used was books, news, journal articles, working papers, reports, and articles in websites. Hopefully, this writing can provide information that is meaningful with its shortcomings to the International Relations study. Therefore, I realize that this research needs a further development to have a deeper analysis by using other various and specific variable.

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