Debt, Structural Adjustment, and the IMF

AiCE Africanism & Pan-African Studies — The most damaging economic policy in African history

How African Countries Got Into Debt

The debt crisis that has afflicted African countries since the 1970s did not arise because African governments were uniquely irresponsible borrowers. It arose from a combination of external economic shocks, deliberate lending by Western banks and institutions, and the structural weaknesses of African economies that colonialism had created.

In the 1970s, oil-producing countries accumulated enormous revenues from the oil price shocks of 1973 and 1979. These 'petrodollars' were deposited in Western banks, which needed to lend them out to generate returns. The banks turned to the developing world, including Africa. African governments, many with genuine development needs, borrowed heavily. Interest rates were low, commodity prices were high, and the future seemed manageable.

Then, in the early 1980s, everything changed simultaneously. The US Federal Reserve dramatically raised interest rates to combat American inflation — multiplying interest payments on African loans denominated in dollars at variable rates. World commodity prices collapsed, devastating the export revenues African countries depended on to service their debts. And the terms of trade shifted sharply against developing countries. African countries could no longer service their debts. They turned to the IMF and World Bank for emergency financing. The financing was provided. But it came with conditions.

Structural Adjustment: The Most Damaging Economic Policy in African History

The Structural Adjustment Programmes (SAPs) that the IMF and World Bank imposed on African countries from the early 1980s through the 1990s were, by any honest assessment, the most economically and socially damaging set of policies applied to the African continent since colonialism. Their stated purpose was to restore economic stability and growth. Their actual effect, across dozens of African countries, was to

devastate public services, destroy domestic industries, increase poverty, and lock African economies into continued dependence on commodity exports and foreign capital.

SAP Requirement & Stated Rationale	Actual Consequences in Africa
Cut government spending on health, education, and social services (to reduce deficits, control inflation)	School fees imposed where education had been free; healthcare charges introduced; malnutrition and preventable disease increased; independence-era gains in health and education were reversed.
Privatise state-owned enterprises (to improve efficiency, attract investment)	Public utilities sold to foreign corporations at below-market prices; prices rose; rural areas lost services entirely; decades of public assets transferred to private ownership.
Liberalise trade — remove tariffs (to allow competition, reduce consumer prices)	Domestic African industries, unable to compete with subsidised Western imports, collapsed; manufacturing sectors independence governments had built were destroyed; unemployment rose sharply.
Devalue currency (to make exports more competitive)	Import prices soared; inflation devastated the purchasing power of ordinary Africans.
Remove agricultural subsidies (to reduce market distortions)	African farmers, competing against heavily subsidised European and American agriculture, could not survive; food production declined; food import dependency increased.

The results were catastrophic. The World Bank's own internal review — the 1994 Adjustment in Africa report — acknowledged that structural adjustment had not produced the growth it promised. UNICEF's landmark 1987 study, Adjustment with a Human Face, documented the devastating impact on child health and welfare across adjusting African countries. Infant mortality increased. Malnutrition increased. School enrolment declined. The 1980s, which the IMF and World Bank themselves called Africa's 'lost decade,' was not lost because of African failures. It was lost because of the policies the IMF and World Bank imposed.

The intellectual basis of structural adjustment — the Washington Consensus — was the neoliberal doctrine that free markets, privatisation, and minimal government were the universal prescription for development. This doctrine was not neutral: it served the interests of Western corporations seeking access to African markets and assets. It was, in Nkrumah's terms, neocolonialism operating through economic conditionality rather than direct political control. The structural adjustment era formally ended in the early 2000s, replaced by the Poverty Reduction Strategy Paper framework — slightly more consultative, but retaining the core neoliberal assumptions. The fundamental structural relationship — African countries dependent on external financing, external financing attached to externally designed conditions — has not been transformed.

Key Takeaways

Africa's debt crisis originated in external economic shocks colliding with structural weaknesses colonialism had created, not African fiscal irresponsibility. The Structural Adjustment Programmes the IMF and World Bank imposed in response caused catastrophic, documented harm — reversing independence-era gains in health, education, and domestic industry — and are now acknowledged even by their architects as failures. The next lesson examines a related but distinct mechanism of economic constraint: the CFA franc system.