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THE ROLE OF INTERNATIONAL MONETARY FUND AND THE WORLD BANK IN THE SOCIO-ECONOMIC DEVELOPMENT OF THIRD WORLD COUNTRIES: A CASE STUDY OF NIGERIA

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Abstract

This research explores the role of the International Monetary Fund (IMF) and the World Bank in the socio-economic development of Third World countries, with specific reference to Nigeria. The study adopt a descriptive research design, the study also adopt secondary and primary sources of data collection, 85 questionnaire were administer on the role of IMF and World Bank in socio-economic development of the third world countries with the focus on Nigeria. Three research hypotheses were tested and majority of the respondents agreed that IMF and World Bank have contributed immensely to the development of the third world countries. The paper concludes that sustainable development requires the third world countries to engage in infrastructure developments from the funds received from IMF and World Bank.

Keywords: IMF, World Bank, Socio-Economic Development, Nigeria, Structural Adjustment, Conditionality, Third World.

Introduction

The world Bank is one of the International Financial Institutions created after the two major wars in the international system. It was created in 1944 to rebuild Europe after the Second World War, the institution was built in order to give opportunity to countries in Europe to have access to money in order to rebuild their economies. Currently the World Bank has added more values not only to countries in Europe but even the third world countries, the goal of the World Bank currently is to concentrate on the achievement of the Millennium Development Goals (MDGs) amongst others. The World Bank also helps in capacity building, creation of job opportunities, infrastructural development, encouraging of good governance and research consultancy and training. The institution has supported the third world countries in the area of debt relief, improvement of sanitation and water supply, combating the HIV/AIDS pandemic, support civil society organizations, creating initiative for the reduction of greenhouse gasses, help also in the era of Covid 19 amongst others, about 100

countries received support from the World Bank during the Covid 19 crisis.(World Bank Group Report, 2020)

The IMF (International Monetary Fund) was formed in 1945 with the mindset to stabilize exchange rates and supervise the construction of the world international payment system. The organization was made up of 185 countries but currently there are 191 countries in IMF (IMFs2024, Annual Report) IMF supported several countries including the third world countries during the Covid-19 crisis, about 86 countries received financial support from IMF during the Covid-19 pandemic (International Monetary Fund Report, 2025)

The International Monetary Fund (IMF) and the World Bank, collectively referred to as the Bretton Woods Institutions (BWIs), were established in 1944 to reconstruct the post-war global economy and promote international monetary cooperation. Over time, their mandates expanded to include poverty reduction, structural reform, and socio-economic development, particularly in the Global South. For Third World countries such as Nigeria, the IMF and World Bank have become pivotal yet contentious actors in national development planning. Since the 1980s, Nigeria's engagement with these institutions has been defined by stabilization loans, Structural Adjustment Programmes, debt relief, and recent policy support instruments. Despite six decades of interaction, debate persists regarding whether BWI prescriptions facilitate or frustrate indigenous development. Proponents laud their role in fiscal discipline, liberalization, and infrastructure financing. Critics contend that one-size-fits-all conditionalities undermine state capacity, deepen dependency, and privilege creditors over citizens. This paper therefore interrogates the developmental impact of the IMF and World Bank on Nigeria, situating the analysis within broader North-South power asymmetries and the political economy of development. The study the study intend to find out if these International financial institutions have contributed to growth and development in Nigeria. Nigeria presidents over the years have always sought the help of IMF and World Bank by requesting for loans for infrastructural development but these funds are often misused by public office holders and this has further reduced the citizens to abject poverty.

Statement of the Problem

Nigeria remains a paradox of poverty amid plenty. With Africa's largest economy and vast natural resources, over 40% of its population lived below the national poverty line in 2023 (World Bank, 2024). The country has implemented several IMF/World Bank-supported reforms, including SAP (1986), National Economic Empowerment and Development Strategy (NEEDS), and recent Extended Credit Facility engagements. Yet socio-economic indicators unemployment, inequality, infrastructure deficit, and human capital development remain dire.

This contradiction raises fundamental questions:

1. Has IMF and World Bank helped in the socio-economic development of the third world countries?
2. Has IMF and World Bank helped to reduce the rate of poverty in Nigeria?
3. Does IMF and World Bank have plans to improve on the socio-economic development of the third world countries in the 21st century?

Research General Objective

The general objective is to assess the role of the IMF and World Bank in Nigeria's socio-economic development.

Specific objectives

1. To examine the role of IMF and World Bank in the socio-economic development of the third world countries
2. To analyze the contributions of IMF and World Bank to the socio economic development of Nigeria
3. To find out the plans of IMF and World Bank in the socio-economic development of the third world countries

Research Hypotheses

H_{01}: IMF and World Bank does not help in the socio-economic development of the third world countries.

H_{02}: IMF and World Bank has not contributed positively to the development of Nigeria

H_{03}: IMF and World Bank does not have good plans for the third world countries in the 21st century

Literature Review

There are two dominant scholarly viewpoints on the role of the International Monetary Fund (IMF) and the World Bank in Africa. The first viewpoint regards these institutions as exploitative forces whose interventions compromise the economic autonomy of African countries. Scholars in this camp argue that structural adjustment programmes, austerity policies, and loan conditions have eroded state institutions, weakened social protection, and sustained external dependence. Mkandawire (2005) referred to this as the creation of "choiceles democracies," where governments are obligated to adopt externally dictated reforms rather than locally determined priorities. Likewise, Onimode (2000) described IMF and World Bank activities as a process of "economic recolonization" that channels resources from Africa to advanced economies. With specific reference to Nigeria, Ihonvbere (1996) noted that the 1986 Structural Adjustment Programme triggered devaluation, subsidy cuts, and privatization, resulting in industrial collapse, widespread unemployment, and declining public services, with little evidence of sustained development.

The second viewpoint presents the IMF and World Bank as essential contributors to macroeconomic stability, institutional reform, and socio-economic progress in developing countries. This perspective emphasizes their provision of finance, technical support, and policy guidance that many Third World states lack. Williamson (1990) maintained that stabilization and market reforms were sound in principle, and that Nigeria's disappointing results reflected poor implementation rather than flawed policy. Okonjo-Iweala (2012) highlighted concrete benefits, including World Bank–backed projects that improved rural infrastructure and girls' schooling, as well as the 2005 debt relief agreement secured with IMF and World Bank involvement—that cancelled $18 billion of Nigeria's debt and freed resources for development. Easterly (2006) also conceded that, when paired with effective governance, World Bank infrastructure investment can enhance growth prospects.

This study uses Nigeria Africa's largest economy and most populous country as the case study to examine these contrasting arguments and assess whether the Bretton Woods institutions act as predators or development partners in the socio-economic trajectory of Third World nations.

Several literature has accumulated highlighting the role of IMF and World Bank in the socio-economic development of third world countries with a focus on Nigeria Okonjo- (2012) contends that World Bank projects in Nigeria improved girl-child education and community-driven development, but weak governance diluted outcomes, she maintained that the funds receive from IMF and World Bank should be used judiciously to improve the quality of the girl-child education. Mkandawire (2005) clearly stated clearly that IMF-sponsored SAPs in Africa dismantled state capacity, creating "choiceless democracies" where elected leaders implement externally designed policies. The scholar lamented that the government of Nigeria should do the needful in the area of promoting good governance.

Stiglitz (2002) evaluated IMF conditionality for prioritizing capital market liberalization over poverty, leading to crises in developing states. The scholar argued that the strict conditionality of IMF has further created more problems for the third world countries and therefore urged IMF leaders to desist from such acts. Campbell (2009) observes that World Bank governance reforms in Nigeria focused on anti-corruption but ignored political economy constraints, producing formal compliance without substantive change. The implication of this is that such reforms should include political economy in other to make the reform a better one.

Easterly (2006) opined that World Bank support has no statistically significant effect on growth and development in poor-policy environments, shifting blame to recipient states.

Ihonvbere (1996) explicitly stated that SAP in Nigeria led to deindustrialization, mass retrenchment, and collapse of social services due to subsidy removal and currency devaluation. Woods (2006) stated that IMF governance reforms after 2000 increased transparency, yet voting power remains skewed against Third World countries. Wood lugubriously lamented that there is the need to bring about good reforms that geared towards good governance in the third world countries.

Ake (1996) reiterated that development cannot be imported; BWI templates fail because they ignore Africa's unique historical context. He posits that something should be done in this regard, he further emphasized that BWI should have a template that will favour Africa countries. Lensink & Morrissey (2000) believe that World Bank adjustment lending correlates with higher investment but not with poverty reduction in Sub-Saharan Africa.

Umezurike (2015) stated that post-HIPC debt relief, supported by BWIs, gave Nigeria fiscal space, yet was followed by a return to unsustainable borrowing. This in his opinion has further created unfavorable to the citizens of Nigeria. Williamson (1990) opined that the "Washington Consensus" as necessary macroeconomic stabilization, claiming Nigeria's failure stems from partial implementation. Onimode (2000) describes BWI programmes as "economic recolonization," transferring wealth from South to North via debt service. Mosley, Harrigan, & Toye (1995) stated that aid effectiveness depends on recipient ownership; where

BWIs dictate, reforms fail. Ajayi (2008) posited that World Bank health and education projects in Edo State improved access but were undermined by poor counterpart funding.

Adesina (2006) opined that neoliberal BWI policies eroded Nigeria's developmental state, replacing it with a minimalist regulatory state incapable of transformation.

Research Methodology

Survey was used to administer 185 questionnaire to respondents in two Universities in Benin City, Edo State, Nigeria. Percentage and tables were used for the interpretation of the data.

Theoretical Framework

This study adopted two theories to buttress the discussion

Dependency Theory (Frank, 1967; Rodney, 1972). Dependency theorists argue that the global capitalist system perpetuates the underdevelopment of peripheral states through unequal exchange, capital flight, and policy imposition. IMF/World Bank conditionalities are viewed as mechanisms for integrating Third World economies into the global system on subordinate terms, ensuring debt repayment and market access for core countries.

Modernization Theory (Rostow, 1960). In contrast, modernization theory posits that developing countries lack capital, technology, and efficient institutions. BWIs therefore serve as catalysts, providing finance and "sound" policies to move societies from traditional to modern stages of growth.

The tension between these theories provides a dialectical lens: Are BWIs agents of neo-dependency or modernization in Nigeria?

Analysis and Discussion of Major Findings

IMF and World Bank does not help in the socio-economic development of the third world countries.

	Frequency	**Percentages (%)**
Strongly agreed	45	52.9
Agreed	30	35.3
Disagreed	10	11.8
Total	85	100

Source: Field Survey, 2026.

The analysis shows that 45 respondents representing 52.9% strongly agreed that IMF and World Bank does not help in the socio-economic development of the third world countries, while 30 respondents representing 35.3% agreed that IMF and World Bank does not help in the socio-economic development of the third world countries. 10 respondents representing 11.8% disagreed that IMF and World Bank does not help in the socio-economic development of the third world countries.

IMF and World Bank has not contributed positively to the development of Nigeria.

	Frequency	Percentages (%)
Strongly agreed	25	29.4
Agreed	45	52.9
Disagreed	15	17.6
Total	85	100

Sources: Field Survey 2026.

The analysis shows that 25 respondents representing 29.4% strongly agreed that IMF and World Bank has not contributed positively to the development of Nigeria, while 45 respondents representing 52.9% agreed that IMF and World Bank has not contributed positively to the development of Nigeria. 15 respondents representing 17.6% disagreed that IMF and World Bank has not contributed positively to the development of Nigeria.

IMF and World Bank does not have good plans for the third world countries in the 21st century

	Frequency	Percentages (%)
Strongly agreed	10	11.8
Agreed	55	64.7
Disagreed	20	23.5
Total	85	100

Sources: Field Survey 2026.

The analysis shows that 10 respondents representing 11.8% strongly agreed that IMF and World Bank does not have good plans for the third world countries in the 21st century, while 55 respondents representing 64.7% agreed that IMF and World Bank does not have good plans for the third world countries in the 21st century. 20 respondents representing 23.5% disagreed that IMF and World Bank does not have good plans for the third world countries in the 21st century.

Discussion of Findings

The study interrogated the role of IMF and World Bank in the socio-economic development of the third world countries with the focus on Nigeria. Information elicited from the secondary data clearly revealed that IMF and World Bank have contributed to the development of the third world countries of which Nigeria is part of. IMF and World Bank for example contributed and supported several countries during the Covid-19 Pandemic. However, some African leaders do not use these funds for the development of their countries.

Summary and Conclusion

The IMF and World Bank are neither wholly malevolent nor benevolent actors in Nigeria's development trajectory. Their role is dialectical: providing finance, expertise, and debt relief while simultaneously constraining policy space through pro-cyclical conditionalities rooted in neoliberal orthodoxy. Dependency theory explains the structural asymmetry;

modernization theory explains the technocratic appeal. Ultimately, BWI impact is mediated by Nigeria's domestic political economy. Where leadership is visionary and institutions are strong, BWI resources are leveraged for development. Where corruption and state capture prevail, loans become liabilities and reforms become burdens on the poor.

Recommendations

1. Third world countries should use the funds from IMF and World Bank for the development of their countries especially in the area of infrastructural development.
2. Third world countries should invest in the growth and development of quality education in their countries.
3. Nigeria leaders should use the funds from IMF and World Bank judiciously for the elevation of progress and developments of their citizens.
4. IMF and World Bank should monitor and ensure that the loan from IMF and World Bank are used for the purpose for which they are borrowed.

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