



INVESTIGATION BY CIVIL SOCIETY AND WORLD BANK CHALLENGES STRUCTURAL ADJUSTMENT PROGRAMS

*Publication of the SAPRI Report Highlights
Bank's Continued Inaction on Policy Findings*

Following a multi-year participatory investigation undertaken with the World Bank and the governments of countries on four continents into the impact of economic adjustment programs, the international citizens' network, SAPRI, released the findings of the Structural Adjustment Participatory Review Initiative (SAPRI) in April 2002 at a public forum held at the European Union in Brussels. Reissued in January 2004 in expanded form by Zed Books and Third World Network, *Structural Adjustment – The SAPRI Report: The Policy Roots of Economic Crisis, Poverty and Inequality* presents an incisive view of the devastating effects of the liberalization, privatization and deregulation agenda of the international financial institutions.

Launched with Bank President Jim Wolfensohn in 1997, SAPRI included the extensive mobilization and participation of civil society, a pair of national public fora, and participatory research undertaken with a political-economy methodology jointly with the World Bank in three countries in Africa (Ghana, Uganda and Zimbabwe), two in Latin America (Ecuador and El Salvador) and one each in Asia (Bangladesh) and Central Europe (Hungary). In order to ensure the inclusion of emerging-market economies in the exercise, SAPRI carried out similar endeavors in Mexico and the Philippines, where the government and the Bank refused to participate.

SAPRI has involved between 100 and 700 civil-society organizations representing a wide range of sectors in each of the aforementioned countries, as well as smaller networks in Argentina and other countries in which SAPRI has undertaken less ambitious policy-related initiatives. The sectors include labor unions, small-business associations, small-farmer and peasant federations, church organizations, youth and women's groups, health-care and educational organizations, indigenous groups, environmental organizations, human-rights groups, community associations and organizations and networks from various other sectors.

Outcome of National Inquiries

The involvement of these groups in local workshops, the national fora and the field investigations helped provide an understanding of both the impacts of the principal adjustment measures and the factors responsible for those effects. These findings, pulled together in the global report, indicate a number of major problems caused or exacerbated by adjustment programs. For example:

- Precipitous and indiscriminate trade liberalization, financial-sector liberalization policies, and the weakening of state support and of the demand for local goods and services have devastated local industries, particularly small and medium-sized enterprises that provide the bulk of national employment. Domestic businesses cannot compete with the flood of often subsidized foreign imports nor afford credit at high rates that are also redirecting capital from productive to speculative activities.
- Structural and sectoral policy reforms in the agricultural and mining sectors have undermined the viability of small farms, weakened food security and damaged the natural environment. Cheap food imports, the removal of subsidies from farm inputs, the withdrawal of the state from the provision of technical, financial and marketing assistance, and the emphasis placed on export production have further marginalized small farmers and forced them to overexploit natural resources. The liberalization, deregulation and privatization of the mining sector have further eroded the environment and the viability of the land of small farmers and indigenous people.
- A combination of labor-market reforms, lay-offs resulting from privatizations and civil-service reform, and the shrinking of labor-intensive productive sectors have severely undermined the position of workers. Employment levels have dropped, jobs have become more precarious, real wages have deteriorated, income distribution has become less equitable, and workers' rights and unions have been weakened as reforms have allowed employers greater flexibility in establishing employment terms and conditions and as public enterprises are privatized unaccompanied by adequate regulation.
- The privatization of public utilities, the application of user fees to health care and education, and cuts made in social spending in national budgets have reduced the poor's access to affordable services. Rate increases often fall disproportionately on the poor, and increases in fees have driven up school dropout rates and dissuaded many from seeking medical care. Social-service infrastructure, availability of supplies, personnel training and wages have all suffered deterioration, particularly in rural areas and poorer regions of countries.
- The increased impoverishment caused by structural adjustment has in many ways befallen women even more than it has men. As small-scale business people and food producers, they have been undermined by import liberalization, high credit rates and the withdrawal of the state from the provision of assistance. Their frequent employment in low-skill jobs makes them particularly vulnerable to large numbers of lay-offs resulting from bankruptcies and privatizations. Labor "flexibilization" measures have often stripped women of their right to maternity leave and other special protections. The reduction of free public services, the high cost of private ones, and the damage done to the environment and communities by the deregulation of such activities as mining have placed extra burdens on women in their roles as homekeepers and caregivers.

- Macro-level problems have accompanied many of the local-level failures of adjustment programs. Many of the anticipated gains in efficiency, competitiveness, savings and revenues from the privatization of public enterprises, labor-market “flexibilization” and large-scale mining operations have not materialized. Trade liberalization has tended to increase rather than decrease current-account deficits and external debt due in part to the high import content of the exports promoted under adjustment regimes. The growing presence and power of transnational companies, often the greatest beneficiaries of adjustment programs, have severely diminished the economic sovereignty of many countries and their governments’ capacity to respond first and foremost to the economic and social needs of their own people. And the freedom of these corporations and both foreign and domestic speculative capital to move from country to country creates constant instability on top of the destabilizing effects of the destruction of national economic activity.

Challenges to Bank Policies

In spite of being a principal party to the SAPRI investigations – which were funded by five European governments, the European Union, the UNDP, foundations and NGOs -- and despite the subsequent acceptance by its president of the demonstrated need to support expanded national economic-policy choice, the Bank failed to act on the Initiative’s draft findings. In response to media coverage and public pressure engendered by the release of the SAPRI global report in 2002, the Bank’s president recommitted his institution to follow up on the findings with concrete measures, specifically in the SAPRI countries. To date, no such actions have been taken.

The report’s publication this year has, however, spread the SAPRI findings worldwide and spurred intensified efforts by SAPRIN to democratize the economic-policy-making process by opening it to civil society and to new policy options. To this end, SAPRIN is continuing its public campaign to hold the Bank’s president to commitments made in engaging civil society -- not only in SAPRI but also in other such initiatives as the World Commission on Dams and the Extractive Industries Review. To hold the Bank accountable, SAPRIN has taken its campaign to forums in Ottawa, Frankfurt, New York, Porto Alegre, Monterrey, Stockholm, Oslo, Brussels, Washington, Penang, London and Berlin and has continued the promotion of its national findings and its advocacy for change in the SAPRI countries.

April 2004

The original edition of the SAPRI report, *The Policy Roots of Economic Crisis and Poverty*, can be found on SAPRIN’s web site (www.saprin.org), as can additional material regarding SAPRIN’s work at the national and global levels.

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