

# FROM THE GROUND UP

*The World Bank turns a blind eye to injustice  
and more protesters take to the streets*

*by Steve Hellinger*

**A**s the tens of thousands of people protesting against the economic policies of the world's most powerful governments and the international institutions that represent them departed the streets of Genoa in July, Jim Wolfensohn, the president of the World Bank, was in Australia, telling an audience that "you have to be open with critics and you have to listen."

"The one thing you can't do is listen when they have got acid in their hands or [are] throwing a Molotov cocktail at you," he said. "That's the group that's getting all the publicity, when in fact there are many serious organizations with whom we are having a continuous interface."

The irony of both Wolfensohn's words and presence in Australia was not lost on some of the World Bank's strongest critics, who had engaged the Bank's president in a multi-year, multi-country assessment of the economic policies prescribed worldwide by the World Bank over the past two decades. You see, Wolfensohn should have been at the wrap-up forum in Washington following the Genoa economic summit of the G-8 governments to receive the findings from his joint exercise with civil society, known as the Structural Adjustment Participatory Review Initiative

(SAPRI), and to lead the World Bank in a discussion of the necessary changes in policy and policymaking. He was, to say the least, conspicuous by his absence.

So was virtually all of the Bank's senior management. In what is rapidly becoming a familiar pattern, the World Bank, under Wolfensohn's early leadership in the mid-1990s, publicly embraced citizens' groups in the countries of the South and the North in initiatives designed to address controversial Bank policies, only to distance itself from the results of those initiatives when they have come in. Well publicized earlier this year, for example, was the World Bank's disregard of the findings and recommendations of the World Commission on Dams, which the Bank had helped establish.

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At the core of the frustration and anger that has been boiling over onto the streets, first in the South and now the North, has been the exclusion of affected populations, as well as their priorities and knowledge of local realities, from virtually all significant economic decisionmaking by the World Bank, the International Monetary Fund, the World Trade Organization and other such official institutions. Even well-intentioned Southern governments cannot be responsive to their citizens while they are under the thumb of these institutions. Major initiatives like Heavily-Indebted Poor Countries debt relief and the much-vaunted Poverty Reduction Strategy Papers have lost their credibility as the World Bank and IMF have turned them to the disadvantage of the already disadvantaged by requiring that participating governments continue to adhere to Washington prescriptions.

SAPRI, which our organization has coordinated on behalf of the Structural Adjustment Participatory Review International Network (SAPRI), has engaged the World Bank on this overarching issue of the conditioning of all foreign aid and international loans on a country adopting a set of “adjustment” or free-market policies. The World Bank and IMF have restructured more than 90 national economies around the world in this fashion to facilitate foreign investment, imposing such policies as privatization, “labor-market flexibilization” (read “wage suppression”) and trade and financial-sector liberalization.

These policies, decided undemocratically and implemented precipitously and indiscriminately, have wreaked havoc on domestic economies. The low purchasing power, high borrowing costs, cheap imports and expensive services that they have engendered have wiped out thousands of the

small and medium-sized enterprises and farms that produce for the local market and provide most of a country’s jobs. They have, in the process, increased poverty and inequality, destabilized banking systems and increased foreign debt. Along with the World Bank and governments, SAPRI documented this phenomenon in a number of countries through a series of participatory workshops, national fora and field investigations following the extensive mobilization of civil society across virtually all major social and economic sectors.

**H**undreds of organizations were brought together and participated in the SAPRI endeavors with their governments and the World Bank in Ecuador, El Salvador, Ghana, Zimbabwe, Uganda, Bangladesh and Hungary, and SAPRI took similar but independent

initiatives in the Philippines and Mexico, while launching smaller projects elsewhere, including Argentina. Key structural adjustment policies were selected and assessed for their impact on various population groups and areas and sectors of economic importance. Those findings have been synthesized by a SAPRI international team into a global report that will be released to the general public at a major public forum being organized by

SAPRI in Washington for 27-28 September, immediately prior to this year’s Bank/IMF Annual Meetings.

The experience in three SAPRI countries demonstrates the importance and potential of civil-society analysis and mobilization on adjustment issues. In Ecuador, for example, where the economy, destabilized by two decades of structural adjustment, plunges down an ever-deepening precipice, a wide array of citizens’ groups have come together in an

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attempt to alter their nation's economic course. While street protests and strikes continue, some of the groups involved in these demonstrations - including organizations representing agricultural workers, indigenous peoples, women, small businesses and unions -- have also joined forces under the SAPRIN banner to give civil society a seat at the potentially important policy-making table. Over 450 organizations have participated in SAPRIN's mobilizing activities, with 21 of the country's 22 provinces represented at seven regional fora and the Opening National Forum. Additional SAPRIN mobilization, designed to address the current economic crisis by exploring alternative policies, paralleled the SAPRI participatory research phase and attracted another 300 organizations to the network.

The second national SAPRI forum, held in Quito in December 2000, validated the SAPRI research on the impact of adjustment policies in that country since 1982. The process of consultation and participatory research concluded that trade and financial-sector liberalization in Ecuador has led to a marked contraction in the national productive apparatus, particularly among small and medium-scale enterprises, and a de-industrialization of the country, as well as a greater concentration of productive resources. The consequent rise of unemployment, underemployment and job insecurity, exacerbated by labor-market "flexibilization" policies, has in turn generated a major increase in poverty and a deterioration in the living conditions of a majority of the Ecuadoran population.

Halfway around the globe from Ecuador, more than 300 organizations in Bangladesh have participated in SAPRIN. As part of its mobilizing efforts, SAPRIN organized regional consultative meetings to ensure that farmers, landless agricultural workers, small businesses and cottage industries, industrialists, workers and women, among others, would be heard by

the government, the World Bank and a very active and interested national media. The impact of prescribed reforms related to agricultural policy, the financial sector and trade and industrial policy was evaluated in the opening public forum and subsequently in the participatory research.

Small and cottage industries, it was shown, have been adversely affected by trade liberalization, as have most industries within the large and medium-scale manufacturing sector that are oriented to the domestic market. Only a few, export-oriented industries reaped benefits. At the same time, there has been an overall contraction in industrial employment. In the agricultural sector, it was found that liberalization has not improved farmers' net income; rather, increased costs have led to declining profitability. Furthermore, reforms have led to environmental deterioration through overextraction of ground water and fertilizer practices, while there has been a worsening trend in food security among the poorest households. As a result of financial-sector reforms, relative access to credit -- particularly on the part of rural producers and small and medium-scale enterprises -- has worsened.

Meanwhile, in Zimbabwe, some 2000 citizens came together in public fora organized by broad-based committees established in each of the country's 45 districts. They are part of the countrywide SAPRIN involving more than 100 national civil-society organizations and using popular-education methods to teach literacy on economic issues in order to give citizens a voice in economic policy-making.

In spite of an atmosphere of heightened political tensions and violence across much of the country, participatory research was carried out by the civil-society network, and its results were presented earlier this year at a second national forum in which both the government and the World Bank participated. It was found that a flood of imports following rapid trade liberalization displaced manufacturing oriented

to the domestic market. More firms closed than opened, unemployment increased in the formal sector and stimulated the informalization of the economy, purchasing power declined, living standards fell and poverty increased. Related labor-market reforms have increased job insecurity and unemployment.

Overall productivity in the agricultural sector, particularly smallholder cultivation, has fallen under structural adjustment in Zimbabwe. Liberalization of agricultural markets has negatively affected small-scale farmers by increasing the cost of their inputs and reducing their yields, worsening food security as a consequence. Furthermore, access to credit by rural producers and other micro and small-scale enterprises worsened as a result of financial-sector liberalization. At the same time, public expenditures on education and health care have decreased under adjustment, leading to a decline in the quality of service, as well as reduced access by the poor.

**T**hat the World Bank has chosen to ignore the SAPRI findings despite Wolfensohn's original commitment to utilize them "to do business differently" does not surprise us or most of the other SAPRIN participants. While we would have liked to have seen the World Bank's president display some vision and courage, he is, after all, in the service of his board which is dominated by Northern finance ministers and their constituencies in the world's major financial centers. And it is clear that those forces are not yet ready for change, despite the financial crises that have run a devastating course from Mexico to East Asia to Russia and back to Brazil, Ecuador and Argentina in Latin America.

In the end, SAPRIN has achieved its goals of mobilizing civil society on this critical issue and demonstrating the capacity of ordinary citizens to play an active and incisive role in the area of economic policymaking. The results

from the joint initiative with the World Bank will now be used to hold the Bank accountable as it struggles to maintain the little credibility that it has left.

At this critical moment, the World Bank has been tested and it has failed. It has eluded any serious consideration of SAPRI findings that its own staff and consultants helped to produce in a far-reaching and well-organized effort with the very critics and other civil-society groups that its president has claimed are critical to World Bank learning.

His words ring hollow. Along with its sister international institutions, the World Bank has made clear that it will continue to manage the globalization process and national economies on behalf of global corporations, banks and other financial institutions. And there will still be no meaningful role for organized citizenry to play at the tables where such decisions are taken.

Where there is no democracy, ultimately the only recourse is to take to the streets. The next stop will be Washington, where sadly, but inevitably, there will be more attendant violence, as well as extensive and informed peaceful protest and civil disobedience. With SAPRIN and other activist organizations and social movements constructively challenging prevailing policies and offering democratic and viable alternatives, the responsibility for future violence, not to mention continued wholesale social, economic and financial devastation, will clearly rest with the global political and economic managers. •

*N.B. With the cancellation of the World Bank/IMF Annual Meetings, street demonstrations and SAPRIN forum following the tragedy of 11 September, the release of SAPRIN's global report has been postponed to a later date.*