

Wolfensohn Accepts NGO Challenge to Re-Examine Adjustment Operations



The long-standing debate between the World Bank and NGOs on structural adjustment programs (SAPs) has reached a new stage, with an agreement having been reached between the Bank and a worldwide network of citizens' organizations to conduct a joint, public, on-the-ground review of SAPs and their effects in ten countries. The Structural Adjustment Participatory Review Initiative, which has been defined in a series of negotiations during the course of 1996, will

commence with a major forum in Washington in late November or early December.

The Initiative represents a commitment by Bank President James Wolfensohn to open his institution's adjustment operations to examination and critique by local civil society in order to improve the quality and local relevance of the Bank's policy-based lending. In engaging the Bank in this intensive, 18-month endeavor, Wolfensohn cited the need to "promote measures which narrow income

differentials" and to "encourage governments to consult and debate with civil society on policy reforms."

Just as importantly, the Bank under his leadership has acknowledged the growing poverty and income inequality that have occurred under adjustment programs, as well as the adverse impact that those programs have had on particular population groups. At his first Annual Meeting as president last year, Wolfensohn warned of the threat that the maldistribution

of income represents to stability around the world.

For many years, NGOs and other citizens' groups in the South and North have pointed to the negative and sometimes disastrous effects of SAPs, particularly on the poor, workers, women, small enterprises and farms, food security, the environment, and domestic productive capacity. Through a variety of vehicles they have challenged the Bank to systematically incorporate local populations, their

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organizations and their knowledge into the definition and design of national economic programs and in other ways to democratize the economic policymaking process.

Last year, a group of U.S. and international NGOs led by The Development GAP met with Wolfensohn and proposed to the new Bank president that his institution undertake a bottom-up review of adjustment programs in conjunction with local organizations. The delegation leadership subsequently responded to Wolfensohn's request for a concrete proposal by shaping – in consultation with some 30 organizations around the world – a comprehensive mechanism for a qualitative assessment of structural adjustment and its impact on four continents.

This March, the Bank president accepted the basic elements of the proposal and designated Lyn Squire, Director of the Policy Research Department, to work out the details of the exercise with the leadership of what has now become a network of some 160 organizations of civil society worldwide, including major labor unions, churches and peasant associations, that have given their support to the Initiative.

Most of those details have been sorted out, but work on guidelines for the in-country investigations still have to be completed. Also remaining is the final selection of the ten countries – four in Africa, three in Latin America/Caribbean, two in Asia and one in Eastern Europe – in which the joint examinations will take place.

The Bank and NGO teams have agreed that the principal objectives of the endeavor shall be to learn about the workings

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and impact of specific adjustment measures and to identify and set the stage for appropriate changes in adjustment operations and programs and for more participatory and effective economic-policymaking processes. It is the common goal of the Initiative to bring into the policymaking process with the Bank and governments those previously excluded elements of civil society that work with and represent local populations and that can provide in each country critically important input regarding the "real economy".

Each country investigation will commence with a public forum organized by a steering committee comprising Bank staff and NGOs and other representatives of civil society, such as labor unions and peasant associations. These and other local organizations will present their perspectives and analysis on the impact of adjustment policies, informing Bank, government, and other official representatives about local realities. Agreement will be sought on matters related to the evolving circumstances of different population groups and sectors under adjustment and on their policy-related causes.

Issues that are not resolved will be investigated by a civil-so-

ciety/Bank team through field work that will rely primarily on participatory techniques designed to take into account qualitative, as well as quantitative, information. The effects of measures ranging from trade liberalization and privatization to credit, labor and fiscal policy will be assessed from a local perspective, and their policy-related, institutional and other causes identified by tracing the implementation of these measures through the real economy. An emphasis will be placed on determining where popular involvement can improve failing policies or help identify more appropriate and viable policy measures.

The field findings will be presented, discussed and assessed at a follow-up forum in each country. Concrete actions related to changes in national adjustment programs, the opening of the adjustment-planning process to broad local participation, and modifications in the Bank's own adjustment-planning instruments, such as Country Assistance Strategies, will be determined in these meetings. These findings and agreed-upon actions from each of the ten country exercises will then be presented at a major forum in

Washington, where recommended changes in Bank programming will be discussed with Bank senior management and policymakers and follow-up actions planned. This forum, like the in-country ones, will be public and fully transparent.

The civil-society participation in the exercise is being coordinated by The Development GAP under the auspices of a Network steering committee. In coordinating the Bank's participation, Squire's team will report to a steering committee that includes representatives of Regional Vice Presidents' and Managing Directors' offices.

This ground-breaking initiative being taken by the Bank and some of its strongest critics reflects growing unease in parts of the international financial community. Sobering experiences with adjustment from Mexico to Russia and ever-broadening public challenges to these policies, as well as new leadership at the Bank, have created openings for the first time for meaningful policy dialogue. In May, for example, the Inter-American Development Bank hosted a Forum on Democratic Alternatives to Structural Adjustment in the Americas that was organized by NGOs and funded by the United Nations Development Programme.

The key question in these and other such initiatives is whether the door is indeed open to alternative development approaches tailored locally to serve the broader public interest or are the IFIs only prepared to support modified forms of the adjustment model shaped in Washington. ■