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THE NGO CHALLENGE: SAPPING ADJUSTMENT PROGRAMS

A decade ago, the World Bank, AID and other aid agencies declared that "policy dialogue" leading to economic policy reforms in borrowing countries was the key to spurring development across the Third World.

It has taken many NGOs some time to understand the significance of that statement. Some operating at the local level in the South did immediately witness, however, the impact of what came to be known as structural adjustment policies on the peoples and projects with which they were working. Grassroots activities -- long viewed by NGOs as the basis for meaningful and lasting change and progress -- were being overwhelmed by such effects of adjustment programs (SAPs) as increased unemployment, lower real wages, major cuts in health and education programs and other social services, reduced credit available to small farmers, and higher prices for essential production inputs and consumer goods. NGOs were being stretched in trying to cope with these new realities.

At first, the promoters of adjustment denied that their policies had negative social and economic effects. Later, they were forced to admit that there were costs to certain groups during a period of "transition" to economic health. Subsequently, that transition period was extended from a couple of years to some five years, and now adjustment is viewed by these "experts" as a long-term process lasting a decade or more. As we enter the second decade of major adjustment lending, even the World Bank admits that the policies have neither stimulated growth nor sapped inflation, while foreign debt burdens have not been reduced. The people of the South have continually rejected these policies, while aid bureaucrats increasingly question the honesty of promoting them as effective development tools.

Yet, adjustment programs continue to spread, with Burkina Faso and Haiti being the latest victims to be led down the adjustment path. Today a country's adherence to adjustment policies is the major condition not only for new loans but also for debt relief. The drive to increasingly open Southern economies and to ensure commercial debt repayment has taken precedence over the lives and well-being of the vast majority of people across the Third World.

Over the past few years, NGOs in the North have been hearing from their Southern colleagues about the need to vigorously address the issue of adjustment in the Third World in order to make possible the achievement of more equitable, sustainable locally controlled development. Recently, The Development GAP was invited to West Africa and Central America by local NGOs in order to strategize on this matter, as it has become the major economic issue in both regions. Meanwhile, in such countries as Chile and Mexico, which have been proclaimed economic successes by adjustment proponents, NGOs have been alarmed by the social, economic and environmental consequences of these policies, including the significant reduction in real wage levels and skewing of income distribution that have taken place.

In Costa Rica, where we have undertaken an adjustment case study with local grassroots and intermediary NGOs, there are also strong indications that income distribution has worsened significantly over the past decade. This appears to be particularly true in rural areas, as many small and medium-sized farmers have been unable to make a living in new programs that emphasize non-traditional exports and curtail support for production of basic food grains. The new agricultural policy has also increased pressure on the environment, as the land under cultivation has expanded and farmers turn to agrochemical-dependent forms of production. Meanwhile, despite aggressive export-promotion programs, the country's trade deficit has increased to unprecedented levels and shows no sign of leveling off, while its fiscal deficit and inflation rate continue at historically high levels.

Elsewhere, the trade-liberalization measures in the adjustment package imposed by the Bank in Trinidad and Tobago are having a disastrous local impact, according to David Abdulah of the Oilfield Workers Trade Union in that country. Small farmers have lost important markets as locally based industries have imported cheap powdered milk and citrus concentrates for their production processes, while a flood of imported consumer goods threaten workers with massive lay-offs. Five thousand miles across the Atlantic, Senegalese farmers face decreasing liquidity, stagnant rural incomes, difficult access to credit, and rising consumer prices as a result of seven years of adjustment in the agricultural sector, writes Abdoulaye Ndiaye in the spring issue of the new NGO newsletter, BankCheck.

Last December, Lionel Derenoncourt, former director of Church World Services' program in West Africa, returned to the region on behalf of The Development GAP to continue a series of consultations we have had with local NGOs on the issue of SAPs. In a report prepared for PACT, he noted the deteriorating economic, political, social and environmental situations to which adjustment programs had contributed and, reflecting local views, recommended steps that might be taken in partnership to address these problems. These measures include:

1. pressuring the World Bank, the IMF and the U.S. government to ensure the involvement of local populations in the formulation of national economic policy as an integral part of the democratization process and to defend the free expression of demands for such public accountability;
2. the organization of national and regional NGO workshops to improve local understanding of SAPs so that indigenous groups can better influence and/or cope with national adjustment programs;
3. sharing information among NGOs on adjustment programs worldwide and on the institutions that are promoting and imposing them; and
4. developing and promoting national development policy alternatives that emerge from activities and organizations at grassroots levels.

Work in all of these areas is moving forward, but a greater involvement on the part of Northern NGOs and a further strengthening of NGO partnerships in the fight against adjustment programs is necessary. The degree of effectiveness of this challenge will have a direct bearing on the shape of the economic, social and environmental landscape of the South well into the next century.

Prepared for IMPACT (PACT), September 1991, by Doug Hellinger.