



Citizens' Challenge to
Structural Adjustment

Structural Adjustment Participatory Review International Network

SAPRIN RELEASES FINDINGS OF JOINT PARTICIPATORY ASSESSMENT OF STRUCTURAL ADJUSTMENT CONDUCTED WITH WORLD BANK

Describes Damaging Effects of Policies and Bank's Failure to Respond

Bank President Requests Meeting Following SAPRIN Forum at EU and Amidst Washington Protests

10 May 2002 -- 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 Structural Adjustment Participatory Review International Network (SAPRIN) released the findings of that comprehensive assessment in mid-April at a public forum held at the European Union in Brussels. Entitled *The Policy Roots of Economic Crisis and Poverty*, the report constitutes an elaboration of draft conclusions discussed with the Bank in July 2001.

Launched with Bank President Jim Wolfensohn in 1997, the Structural Adjustment Participatory Review Initiative (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, SAPRIN carried out similar endeavors in Mexico and the Philippines, where the government and the Bank refused to participate.

SAPRIN has involved between 100 and 700 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 SAPRIN 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 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 and despite its commitment to consider concrete changes in economic policy and policymaking based on the findings of the Initiative, the Bank withdrew from SAPRI in August 2001, having taken no follow-up action with SAPRIN at either the national or international level. Between November and April 2002, SAPRIN presented an executive summary of *Policy Roots* at public fora in Ottawa, Frankfurt, New York, Porto Alegre, Monterrey and Stockholm. It also joined with other civil-society organizations that have engaged the Bank in joint assessments, such as the World Commission on Dams (WCD), in efforts to hold the Bank accountable and to pressure it to honor its commitments.

On 15 April, the full report on the SAPRI findings was released and presented by members of SAPRIN's country teams and global Steering Committee to European officials, NGOs and other interested parties at the European Commission's Borschette Center. Some 200 people attended the day-long event, which focused on the poverty-generating aspects of adjustment programs. The forum opened with statements of support for SAPRIN's work from the Commission and from the United Nations Development Programme, both of which financed SAPRI along with five European governments and various foundations and NGOs. Five sets of SAPRIN panelists from 10 countries then explained the impact of financial-sector and trade liberalization, agricultural and labor-market reforms, privatization and public-expenditure reform and related measures on the manufacturing sector, small enterprises and farms, food security, employment, workers, poverty, services and the environment, as well as other policy impacts at the macro, meso and micro levels.

Following the forum and coverage of the SAPRI findings by the European media, SAPRIN received a request from the Bank for a meeting with the Bank president to discuss SAPRI. Upon its arrival in Washington from Europe and before meeting with Wolfensohn during the Bank/IMF Spring Meetings, the SAPRIN team participated in a press conference and public forum -- at which it released the SAPRI findings -- with many other organizations that are actively challenging the Bank's intransigence regarding fundamental change in its core policies and operations. Individuals from the South and North who have been engaged in SAPRI, Poverty Reduction Strategy Papers (PRSPs), the WCD, the Extractive Industries Review and other such initiatives explained their dissatisfaction with the Bank's failure to engage civil-society constructively on the key issues faced by their constituencies, as well as with the Bank's consequently disingenuous call to street protesters to dialogue. They joined with protest organizers and other forum participants engaged in direct action, such as the boycott of World Bank bonds, in encouraging increased public mobilization on globalization issues.

Panelists, including SAPRIN representatives, emphasized that, contrary to World Bank claims, PRSPs are in their essence a perpetuation rather than a replacement of structural adjustment. Far from representing a shift in national economic policy to poverty eradication, the so-called

poverty-reduction strategies are designed within the framework of adjustment policies, which are not on the table for analysis by civil society and government as causes of poverty. The panelists stressed that structural adjustment remains as central to Bank and IMF financing strategies as it has been at any point in the past two decades.

The SAPRIN team made this point forcefully the next day, as well, in opening its meeting with Wolfensohn and his advisors. Wolfensohn expressed his regrets that the Bank and he had not been in dialogue with SAPRIN since the SAPRI findings were presented to the Bank nine months earlier and said that he would read the report and would be prepared to meet with SAPRIN to discuss it seriously in the near future. The SAPRIN representatives responded that SAPRIN is open in principle to a serious discussion of the findings and follow-up at both the global and national levels-- which it had expected the previous July and throughout the course of the past year -- and that it in the meantime will continue to challenge the Bank's policies and intransigence. Following an initial, informal talk regarding meeting arrangements, the SAPRIN team left to join the protesters demonstrating in front of the Bank.

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.