Review Article[1]

The World Bank Engages Its Critics, And Backs Off

SAPRIN (2004). *Structural Adjustment: The SAPRIN Report: The Policy Roots of Economic Crisis, Poverty and Inequality*. Zed Books, London.

A number of non-governmental organisations (NGOs) engaged in the mid-1990s' "50 Years Is Enough" campaign challenged the then new World Bank (WB) president, James Wolfensohn, to involve his staff with civil society in the South to bring new knowledge, perspectives and analyses to Bank economic advice and policymaking. Wolfensohn accepted the challenge and requested proposals for carrying out the initiative.

In a letter to the international global civil-society network organised for this purpose, he acknowledged that, "Policy reform has had a mixed track record. Adjustment has been a much slower, more difficult and more painful process than the Bank recognised at the outset". He clarified the purpose of his invitation, "What I am looking for – and inviting your help in – is a different way of doing business in the future. My objective is to ensure the economics reform programs make maximum contribution to poverty reduction, that we fully appreciate the impact of reform on disparate population groups, that we promote measures which narrow income differentials, and that we encourage governments to consult and debate with civil society on policy reforms."

Process

The Structural Adjustment Participatory Review Initiative (SAPRI) was the resulting joint multi-country participatory investigation into the effects of specific structural adjustment policies (SAPs) on various economic and social sectors and groups. The SAPRIN (Structural Adjustment Participatory Review International Network) Report is described as 'the result of a four-year process of consultation and research in nine countries across four continents'. The countries were Bangladesh, Ecuador, El Salvador, Ghana, Hungary, Mexico, the Philippines, Uganda and Zimbabwe.

The Report claims two features made SAPRI unique – first, the joint nature of the exercise with the Bank, and second, the inclusive participatory methods employed. The first stage involved extensive outreach to, and mobilisation of local populations affected by SAPs, particularly the most marginalised. The second step involved convening national-level public forums, organised by civil-society steering committees with Bank and government officials. These were meant to discuss key adjustment measures and selected issues in order to deepen the analysis. The research was designed and jointly carried out by the World Bank and SAPRIN teams with research consultants. The results of this research, the third and longest phase of the program, were then reviewed by dozens of civil-society

[1] An earlier version was commissioned in June 2002 by the Norwegian Ministry of Foreign Affairs to reflect on lessons from the SAPRIN process. For this purpose, I read the April 2002 SAPRIN Report entitled 'The Policy Roots of Economic Crisis and Poverty: A Multi-Country Participatory Assessment of Structural Adjustment'. The Report was described as 'based on results of the Joint WB/Civil Society/Government Structural Adjustment participatory Review Initiative (SAPRI) and the Citizens' Assessment of Structural Adjustment (CASA)'.
Since then, I have had no contact with either the relevant World Bank personnel involved or the civil society networks, i.e. from SAPRI and CASA. Hence, almost everything I know about SAPRI is based on the Report. In particular, since the World Bank withdrew from the SAPRI process at its final stages, it is not possible to assess its view of the experience, which may be quite different on crucial matters, though there is little reason for me to doubt the SAPRIN Report.
Needless to say, the usual disclaimer applies.

organisations, as well as Bank and government representatives at second national-level forums, at which revisions were suggested for the final national reports.

The SAPRIN Global Steering Committee had nineteen members in March 2002, presumably representing their respective organisations, rather than themselves. Another eleven former Committee members are listed, but it is not clear why they were replaced since they seem to represent different organisations. A dozen Bank staff members who were SAPRIN Steering Committee members are also identified.

The Report was prepared by a team with representatives from ten countries. While the Bank apparently fully participated in all phases of the process, it left it to SAPRIN to synthesise the joint national reports into the final Report. Then, the Bank officially withdrew from SAPRI as the Report was being delivered, and apparently never explained its actions to the thousands of participating organisations or to the donors who had financed the SAPRI exercise.

Apparently, the Bank's Development Economics Vice Presidency (DEC), led by its then Chief Economist, Joseph Stiglitz, took responsibility for SAPRI, and had insisted on adding the research component to the exercise, which increased the length and depth of the exercise considerably. This was acceptable to the civil-society representatives who insisted that the field investigations be participatory in nature and considered the "political economy" of adjustment.

The Report suggests that the cooperation with the Bank's research team got bogged down when the Bank's involvement in the development of the research framework was left to a consultant unfamiliar with the Bank as well as the participatory "political economy" research design agreed upon. Nevertheless, Bank and government officials were present in all the consultative forums except in El Salvador and Mexico. The forums were meant to provide learning experiences for the Bank and governments, but the sessions invariably turned into debates, with the Bank defending itself and disputing other analyses.

SAPRIN raised more than US$4 million for its local, national, regional and global activists over a five-year period, with all levels of the Network contributing counterpart resources. The Report claims that these contributions and the refusal to take Bank or local-government funding provided SAPRIN with an independence that proved to be crucial in its relationship with the Bank. The SAPRI process was mainly funded by a variety of sources, including the governments of Norway, Sweden, Netherlands, Belgium and Germany, the European Union, the UNDP, as well as the Charles Stewart Mott, Rockefeller, W. K. Kellogg and African Development Foundations. Additional support at the country level came from various other foundations, NGOs and agencies.

The collaboration between Bank and SAPRIN teams seems to have been intense at the outset, with their respective technical teams working jointly to develop research designs with the SAPRI methodological framework as well as terms of reference for jointly selected research consultants. In almost all cases, the research issues selected were more narrowly focused than the questions explored in the forums. This process took several months, taking longer than expected in most countries.

The Report claims that citizens' networks would have produced work more critical of the SAPs and that civil-society representatives suggested modifications to the national reports, but accepted them as necessary compromises with their Bank partners. Nevertheless, it concedes that the SAPRI reports did capture problems faced by the affected populations. Many government officials were often supportive of civil-society positions, and also accepted the SAPRI findings.

The SAPRI Report synthesises the various national reports reflecting the country exercises. Not every study for the Report contained the same depth of information or addressed the same set of issues. While the World Bank fully participated in, all phases of the process, SAPRIN was left to synthesise the joint national reports into the final Report. The Report claims that the Bank publicly accepted the reports at the SAPRI forums after expressing disagreements on particular points in some sessions. All reports submitted were approved by all parties at the forums, at least in principle or with conditions. There was general approval, if not total agreement, but the Bank would not commit itself on what it was prepared to do.

Apparently, SAPRIN's relationship with the Bank became increasingly untenable after Stiglitz's departure. The Report accuses the Bank's Managing Director of failing to resolve these disputes, to end Bank bureaucratic delays, and to ensure broad-based government involvement, beyond finance ministries, in the field exercises. According to the Report, the Bank attempted to move the second SAPRI Global Forum out of Washington, i.e. to abandon the high profile public format previously agreed upon.

Citing its obligations to SAPRI participants, who expected that their criticisms of structural adjustment policies would be given due consideration in Washington, and the Bank's apparent unwillingness to meaningfully and publicly engage most of the people affected by its policies, SAPRIN's International Steering Committee decided to participate in a roundtable meeting at Bank headquarters, but also to organise an international public forums at which it would release the results of the Initiative.

The Report begins with a detailed review of the SAPRI experience. The entire volume focuses on the relationship between adjustment programs and poverty as well as inequality. The document is organised around seven adjustment policies most common to the nine countries, namely trade and financial-sector liberalisation, privatisation, labour-market reform, agricultural- and mining-sector reforms, and public-expenditure policy.

Chapters 2 to 8 had one or two (three in the case of Chapter 6 on the Agricultural Sector and Food Security) principal authors. The principal authors apparently worked with country papers for which the primary authors are acknowledged. The number of primary authors per chapter range from five for Chapter 3 to 16 (including a consultancy firm) for Chapter 8! Many other papers were also prepared on related themes. Lead organisations in each country co-ordinated participation at the national level. Three regional centres co-ordinated work at the continental level, though it is not clear where Hungary fit in.

The SAPRI endeavour sought to shed new light on the effects of adjustments by leaving aside traditional Bank analysis, instead basing its analysis on the findings of the stakeholders themselves. It largely eschewed statistical or econometric analysis (although such methods were apparently used for some aspects of the country studies), in favour of information from broad-based, public consultations and research highlighting the uneven nature of policy impacts, particularly on marginal sectors and populations. It could thus complement other of SARs, many of which have raised serious questions about these programs (e.g. Mosley, Harrigan and Toye 1995; Easterly 2001).

Thus, SAPRI became a long, drawn-out exercise without any clear resolution, after SAPRIN accepted the Bank proposal to convert SAPRI from the consultative exercise proposed by NGOs into a longer-term research program -- which the bank later disowned! The Report acknowledges that it was clear from the outset that President Wolfensohn's declared commitment to engage civil society on an equal and constructive basis would not easily materialise. After a promising start during the project-preparation stage, problems emerged, which the Bank did not seek to resolve. The Report thus challenges the Bank's claims that it consistently sought constructive engagement with civil society, was committed to meaningful consultations with populations affected by its projects and policies, and was seriously working to reduce poverty and inequality.

Structural Adjustment, Poverty and Inequality

The Report identifies four main ways in which adjustment policies have impoverished and marginalised vulnerable populations, while increasing economic inequality. First, the decline of domestic manufacturing and employment for workers and small producers due to trade and financial-sector reforms. Second, the impact of agricultural, trade and mining reforms on the survival and incomes of small farms and poor rural communities, as well as declining food security. Third, privatisations, budget cuts, and labour market measures have resulted in less secure employment, lower wages, fewer benefits and erosion of workers' rights and bargaining power. Finally, privatisation, higher user fees, budget cuts and other adjustment measures have reduced provision of or affordable access to essential quality services, and increased poverty.

Structural adjustment programs and policies have failed to engender the healthy economic growth promised. On the contrary, the Report suggests that adjustment policies have resulted in: disappointing levels of economic growth, efficiency and competitiveness; increased current-account and trade deficits, and foreign debt; misallocation of financial and other productive resources; "disarticulation" of national economies; reduced national productive capacity; and extensive environmental damage.

Stabilisation and structural adjustment programs have generally led to a sharp deterioration in public spending, especially on social services, often when most needed during economic downturns caused by debt crises, when debt obligations are given priority instead. Meanwhile, public resources have been used, not just to service public debt, but also to rescue private corporations and banks in several of the countries studied often by the government taking over or 'nationalizing' private debt. In many countries, poverty and inequality have become more intense and pervasive than before, wealth is more highly concentrated, and opportunities are far fewer for those left behind by adjustment.

Even advocates of adjustment policies increasingly acknowledge that many adjustment measures have adversely affected the poor. However, the Bank claims that the long-term macroeconomic gains from implementation of adjustment policies offset short-term losses by certain groups and sectors, by helping achieve sustainable growth in the long term. This is its rationale for ignoring the adjustment-poverty relationship in Poverty Reduction Strategy Paper (PRSP) exercises and for insisting that the Bank/Fund economic framework will eventually ensure poverty reduction.

The Report rejects these arguments on several grounds. First, the losses to poor and working people in the SAPRI and CASA countries have not been short-term. Second, the experiences of two decades of adjustment suggest that only deliberate efforts will eventually reduce poverty and inequality, rather than continue to increase both. Third, the evidence does not show that the ostensible macroeconomic benefits from adjustment have actually been achieved. Thus, the promised trade-off – short-term pain for long-term gain – has little basis in fact.

Trade Liberalisation and De-industrialisation

Liberalising reforms in international trade and the financial sector have combined to weaken domestic productive capacity, particularly among small and medium-sized enterprises at the core of national economies that employ the large majority of their workforces. Domestic manufacturing and employment have also been hard hit by indiscriminate financial-sector and import liberalisation that have attracted investment away from productive activities. The result has been increased unemployment and reduced incomes, most notably among poor, unskilled workers, particularly women and those in the countryside.

Increased export revenues have often been outpaced by rising imports. The high import content of many exports and the increasing consumer imports encouraged by trade liberalisation have exacerbated this imbalance. Higher dependence on exports has also made economies more vulnerable to deteriorating terms of trade. Growing imbalances have created new pressures on foreign-exchange reserves, leading to more foreign borrowing and increased debt burdens. Foreign investment has not proven to be a panacea either.

Trade liberalisation assumes relatively high supply elasticities that will ensure swift and significant investment and output responses to improved market price incentives. Competition from imports is supposed to lead to specialisation and more efficient resource allocation while ridding the economy of inefficient producers. Trade liberalisation is also supposed to enhance consumer welfare and thus reduce poverty.

The major objectives of trade and industrial policy reform in the SAPRI and CASA countries were: greater efficiency in the traded-goods sector; provision of export credit; more growth and export diversification. These objectives were to be achieved by pursuing strategies such as reducing customs duty rates and effective protection levels, import liberalisation and elimination of export subsidies. The principal focus of trade liberalisation has been rationalisation of the import regime, including elimination of import quotas, reduction and unification of tariffs, and removal of special tariff concessions and exemptions.

A flexible exchange-rate policy is another integral part of trade liberalisation, for downward adjustments of national currencies to maintain the competitive advantage of exports and to discourage excessive imports. Exchange-rate depreciation, often unable to ensure the export competitiveness of domestic industries, which it was supposedly intended to achieve, has increased the prices of imported inputs and raised production costs, which particularly hurt manufacturing firms producing for the domestic market. Exchange-rate policy and reduced incomes have thus helped contain import growth in the face of import liberalisation.

A standard "one size fits all" reform program seems to have been implemented in all the sample countries. Although trade liberalisation measures were designed as a part of overall policy packages, they were usually segmented in practice to be implemented expeditiously. None of the trade liberalisation programs had any provisions for compensation, i.e. they had neither safety-net schemes nor support mechanisms for those adversely affected by reform-induced policy shocks.

In most sample countries, export growth accelerated after liberalisation. Yet, while the share of total exports in GDP rose, compared to before the adjustment period, the rates of increase have been far from satisfactory and not able to reduce trade deficits due to the limited links to the rest of the national economy. Although exports grew in most countries following trade liberalisation, this export growth was typically very narrowly based on a few national resources and low skilled labour products with limited links to the rest of the national economy.

Manufacturing employment increases have largely occurred in export-oriented industries, particularly in export-processing zones. In many countries, the benefits of export growth went primarily to multinational corporations. The employment generated by these factories has been limited, however, since they are mainly foreign-owned with few forward or backward production linkages. Thus, these export increases have failed to generate significant multiplier effects in terms of additional domestic economic activity and employment. Meanwhile, employment losses have mostly occurred in the domestic market-oriented sector. Real wage rates have tended to decline, and income inequality has increased, while job insecurity and "casualisation" have become more pervasive.

Such narrowly based export growth has undermined industrialisation in the countries studied. With indifferent manufacturing growth, if not deindustrialisation in the countries under review, the contribution of manufacturing to national output has been generally unimpressive. Increases in capacity utilisation have also been modest. Weakened industrial growth has led to either declining or stagnant shares of manufacturing in GDP. In most countries, de-industrialisation has been very evident among small and medium-sized enterprises (SMEs). As import-competing industries declined, few new growth areas for local manufacturing, ever for export, emerged. Exchange-rate depreciation was unable to ensure export competitiveness.

Meanwhile, export growth has been undermined by continued import growth and falling terms of trade. Export growth has generally been outpaced by the expansion of imports, generating pressure on the balance-of-payments. Local producers have been largely unprepared or unable to compete against the influx of imports following lowered trade barriers. The Report notes that trade as well as current account deficits have increased, involving higher levels of foreign debt. This has been exacerbated by declining terms of trade, which has meant that more exports have been required to purchase the same amount of imports. Ironically, the Report claims that liberalisation has been paralleled by a proliferation of informal trade as well as smuggling.

Trade liberalisation has seen the increased availability of a wider variety of imported goods on the domestic market. There has been greater growth of imports, than exports in SAPRI countries, with merchandise imports as a share of GDP exceeding exports, according to the Report. Import levels have been rising and drawing down the countries' foreign exchange reserves, while negatively impacting on the trade balance.

Trade liberalisation has undermined the growth of domestic firms. Many local manufacturing firms, particularly SMEs that generate relatively more employment, have been forced out of business. This has resulted in employment losses in important sectors, reducing the purchasing power of large segments of society. The decline in domestic manufacturing has followed the flooding of local markets with cheap imports that have displaced local goods. The situation has been exacerbated by the absence of policies to help domestic firms deal with trade liberalisation.

With import liberalisation proceeding while local manufacturers faced supply-side constraints, high foreign exchange costs and high credit costs, local firms were often unable to survive greater external competition. As a result, many local firms – especially small and medium-sized enterprises (SMEs) – went out of business. Many manufacturing activities have suffered, causing output contraction, retrenchment of employees and bankruptcies. Trade liberalisation also seems to have resulted in shifts away from manufacturing to services as local enterprises found it difficult to enter manufacturing. The more developed SAPRI countries have also seen ownership of the industrial sector shift in favour of multinational corporations.

The SAPRIN Report claims that trade-liberalisation measures have burdened the most disadvantaged segments of society disproportionately, but offers little comprehensive evidence to this effect. Employment growth after trade liberalisation has generally not matched the growing number of new labour market entrants. The modest increases in employment were mainly from outside manufacturing, and largely from low-skilled export-oriented assembly within manufacturing, with employment mostly declining in domestic market-oriented industries. Real wage rates have declined as the casualisation of labour has become more widespread.

According to the Report, income inequality increased in almost all sample countries after adjustment, though little systematic evidence is provided. The middle classes did not grow while some segments suffered setbacks. Trade liberalisation has also had a gender bias. The negative impacts of trade liberalisation on significant sectors of society has made these programs welfare reducing, at least for some, and hence, socially and politically less acceptable.

There has been little meaningful national or popular participation in the design and implementation of trade policies, which has made these measures even more insensitive, socially costly and unpopular. Trade reform should instead be nuanced, rather than indiscriminate. Trade policy should instead support a country’s economic growth strategy, developmental priorities and generate employment, serving to build a strong industrial sector for economic development.

Financial Sector Liberalisation

The most damaging and far-reaching reforms have probably been in the financial sector. Liberalisation of interest rates, credit allocation, capital flows, entry and regulation of the sector, among other measures, has consolidated financial assets in a few private hands, reduced development financing, and contributed to financial speculation (at the expense of productive investments), capital flight as well as banking and financial crises. In the absence of effective public oversight and supervision, oligopolistic structures and non-competitive practices in the private sector have led to inefficiencies, corruption, destabilisation and social exclusion.

Privatisation of banks has been abused by elites to gain access to and control of financial assets, while taxpayers have been left to foot the bill for outstanding bad debts. Scarce capital has also been diverted from agriculture and industry to alternatives offering higher rates of return. Inefficiencies – e.g. in the form of the growing interest rate spread – have transferred funds from productive enterprises to financial intermediaries. Increased bank lending for speculative purposes and the greater volatility of both foreign and domestic capital with capital account liberalisation have led to disastrous banking crises requiring expensive bailouts of the private system with public funds, exacerbating the countries' usually already dire debt problems.

Financial-sector liberalisation was an integral part of structural adjustment and economic stabilisation programs in four of the SAPRI countries under study, namely Bangladesh, Ecuador, El Salvador and Zimbabwe. Concerns about financial-sector inefficiencies, the weaknesses of pre-reform financial systems and policies, and the desire of international and national financial interests to wrest control of the sector from the state were the major motivations for the shifts to more private and market-based management of the sector in these countries. In all four countries, however, the financial reforms failed to work for the better on their own terms and for economically disadvantaged groups, who have been further marginalised from the credit and financial system by market forces of exclusion.

Financial-sector liberalisation was, in many ways, similar in the four cases studied. All were characterised by shifts from state control to more market-driven systems. The reformed institutional frameworks have not achieved effective oversight of private financial intermediaries. Sectoral reforms were backed by adjustment credits and large technical assistance programs. Interest rates were liberalised, entry barriers and credit ceilings removed, and measures to improve supervision partially adopted.

Financial-sector liberalisation has thus often weakened or even undermined earlier prudential regulations and controls. The removal of government controls has thus weakened the state, while strengthening, both politically and economically, some private interests. After two decades of structural adjustment, many governments do not even have enough authority and legitimacy to pursue modest complementary and corrective reforms. Hence, liberalisation has not improved financial sector efficiency.

Financial deregulation has allowed private elites to consolidate financial assets in a few private hands. Hence, banking systems show little interest in promoting a country's development needs, much less satisfying the needs of SMEs. Due to its own inadequate resources, the state cannot fill these gaps either. As a result, development banking has practically disappeared in the sample countries. Financial reforms were supposed to lower the cost of credit by deepening and enhancing financial system efficiency. The Report suggests that this has not been the case, although again, the evidence provided is patchy and sometimes inconclusive. Bank lending and government policy have also become more oriented to financing and facilitating export production, but these have involved limited linkages to the local economy. High interest rates and other obstacles to borrowing have been particularly debilitating for small firms.

Without offering much evidence, the Report claims financial liberalisation has reinforced oligopolistic non-competitive practices. Side effects of financial liberalisation include greater speculative behaviour, non-productive borrowing and increasing concentration of financial and non-financial assets, both sectorally as well as regionally. The Report also asserts that resource allocation following financial liberalisation has exacerbated rural economic conditions. While such consequences are likely, stronger evidence would have enhanced the Report's credibility.

Besides increasing the concentration of loans given, liberalisation has encouraged regional concentration of credit, which particularly adversely affects small and medium-size farms located in less developed regions. As a consequence of financial liberalisation, resulting loan concentration, high interest rates, the short-term preferences of private financial intermediaries favouring a few, powerful economic agents, SMEs have experienced increasing difficulties obtaining credit, particularly long-term loans.

Financial-sector liberalisation is said to have contributed to the growth of non-productive activities. Financial-sector liberalisation has, in practice, promoted short-term speculation and investment in non-productive activities, as well as borrowing for the purpose of consumption. Reforms have encouraged short-termism and helped channel resources away from productive sectors. Without offering much evidence, the Report asserts corruption and bribery have 'undeniably blossomed under liberalisation, affecting both public and private financial intermediaries'. Again, this is a very important claim, deserving more support than offered.

Rather than promoting macroeconomic stability, interest rate and capital account liberalisation have allowed capital to become increasingly volatile, flowing offshore more easily, thus contributing to economic crises and increased vulnerability to external shocks. National and regional crises have, at times, crippled financial systems and other economic activity. The weakening of the state and its regulatory role has left it much less capable of addressing inefficiencies and abuses in the sector. In the absence of effective regulation, oligopolies have been formed or, in many cases, enhanced. Reforms have allowed financial assets to become more concentrated in a few private hands, rather than foster long-term productive investments for national economic development. The institutional framework created by the reforms has failed to provide effective supervisory or regulatory oversight of private financial intermediaries.

Important economic sectors and population groups are less able to access affordable credit, while SMEs, rural and indigenous producers and women have even less access to the formal financial system, at higher interest rates due to liberalisation, with credit qualification criteria preventing them from borrowing. Women and small producers, especially in rural areas, have long had difficulties accessing affordable credit, or even credit at any price, from formal lending institutions. High interest rates, along with stringent application of collateral and other loan requirements, have effectively discriminated against poorer and more geographically remote producers.

According to the Report, the failure of these adjustment policies and their negative impact on the poor have been due to a number of factors, notably:

- The inherent limitations of the market in addressing the needs of the poor and other disadvantaged groups;
- Poor sequencing of sectoral policies, with regulatory reforms lagging behind deregulation thus allowing private financial elites to capture the reform process for their own benefit;
- Inadequate legal and regulatory frameworks neither check the influence of powerful elites nor ensure the entry and effective participation of institutions more geared to serving the poor; and
- Lack of popular participation in the design of sectoral reform programs, and undue influence exercised by foreign and national financial interests and financial institutions.

Labour Market Reforms

After adjustment measures had been implemented, the Report found that wages had declined, worker purchasing power was reduced, and income distribution was more inequitable. There has been no effort to link real wages to productivity increases. The share of wages in national income has fallen while the share of profits has risen where adjustment has been implemented. Wage flexibility -- e.g. with temporary, individual employment contracts – has reduced incomes and other benefits while eroding the rights to organise and bargain collectively.

Unemployment and job insecurity have increased, while working conditions have often deteriorated with privatisation and labour flexibility enhancing measures. Labour-market reforms and privatisation have increased inequality and lowered real incomes besides increasing child labour, social dislocation and other problems. Income distribution has worsened as low-skilled, low-wage workers, especially minorities and women, have been the first to be laid off by privatised firms. Job training has not really overcome the problems of the newly unemployed. The new jobs created in privatised companies generally pay well, but require higher skill levels. The decline of real wages as well as gainful and secure employment has resulted in new (family) coping or survival strategies.

Greater productivity and competitiveness have not been achieved despite greater labour-market flexibility and related adjustment policies. Structural adjustment adversely affected labour and living conditions in all the countries. This impact was deepened by specific labour-market reforms undertaken as part of structural adjustment programs in various countries. Two types of impacts on employment can be distinguished, i.e. those caused by general economic adjustment strategies, and those derived from specific labour market reforms. Both types of changes have not reduced pre-adjustment disparities. Instead, some disparities have increased substantially. Labour market liberalisation usually involved specific labour-market reforms, especially designed for greater labour market flexibility.

Meanwhile, employment has become more precarious. The reforms have allowed employers greater flexibility in determining the terms of employment. Workers' rights have been weakened with less protection of their rights to organise and bargain collectively. Women have probably suffered more as a result of labour-market reforms. There have also been increases in work by children and the aged in response to declining household income contributions by primary wage earners. Thus, the Report argues that real wages have deteriorated and income distribution has become more inequitable. The lowest-income groups have tended to experience the largest increases in unemployment and the greatest deterioration in their wages.

As suggested above, workers' rights and the ability of unions to fight for them have been reduced. There is strong evidence of the increased use of temporary, part-time and casual workers, longer working days with less overtime pay, replacement of unionised employees with non-union workers, greater exploitation of women workers, and increased reliance in the countryside on temporary day labourers. All this has meant reduction of employee benefit packages. Greater flexibility has also meant reduced labour-market regulations, oversight and enforcement. All this has lowered union recognition, respect for collective-bargaining agreements and enforcement of labour rights, seriously worsening working conditions.

The Report asserts that increased production for export poses two problems. Much of it employs mostly unskilled workers in low-paying jobs, but has few linkages, and hence, limited multiplier effects. Others are simply not labour intensive. The Report goes on to note 'a breakdown in the integration of industrial sectors, employment dislocation, and, with a policy of reducing public expenditures paralleling business closings and layoffs, a further concentration of employment in the service and informal sectors'. These criticisms suggest that the promised desirable outcomes of structural adjustment have not been realised, leaving these economies in the lurch. These are important, but rather different, criticisms. The criticisms imply that structural adjustment has undermined unspecified national development strategies, the viability or feasibility of which are not subjected to the same critical analysis by the Report.

Employment levels have also worsened. The Report argues that the concentration of growth in export-oriented production – in maquiladoras or export-processing zones – has limited job creation. Such activities have weak links with the rest of the economy, and pay low wages, limiting multiplier effects, though this does not negate the possibility of considerable direct job creation. Greater employment in services in all the countries studied paralleled sharp falls in agricultural employment and the inability of the industrial sector to absorb many more workers.

Privatisation

Privatisation of public utilities has generally failed to achieve the policy's declared goals. There is no evidence that privatisation has led to greater microeconomic efficiency and productivity. Private monopolies have often replaced public monopolies, while higher profit margins have mainly come from price increases that have made services less affordable to the poor. Privatisation of public utilities, including essential services such as water provision and electricity, has significantly raised user rates. Such privatisations adversely affect the poor in terms of consumer charges, access and choice, exacerbating existing economic inequalities. Privatisation of public utilities and services has resulted in significant price increases for the general public, in return for modest improvements or even reductions in access and service quality.

The elimination of subsidies for essential goods and services has negatively affected the poor and their quality of life. It has often also involved a radical shift in the role of government from providing universally accessible social services, such as education and health care, to only targeting those on the margins whom the market has failed to reach. The governments have drastically reduced social sector funding, implemented cost-recovery, cost-sharing and revenue-generating schemes, and often decentralised service provision to local authorities. Utility-rate increases following privatisation created further hardships for the poor and low-income groups. Fiscal benefits from privatisation have been, at least in part, obtained by eliminating subsidies that allowed the poor to access services. When they did occur, efficiency improvements in utility companies did not generally result from improved operations.

The effects of privatisation vary with many factors, including the type and nature of the enterprise, the motives as well as the management of privatisation. Not all privatised companies improved efficiency. The Report suggests that the privatisation of small businesses has generally been quite successful. In some cases, limited economic gains have been achieved at the enterprise level.

In most cases, apparent increases in profitability (e.g. as measured by the ratio of revenue to expenditure) mainly resulted from price increases accompanying privatisation. Hence, the overall impact of privatising public utilities has been an exacerbation of inequality and a failure to achieve microeconomic efficiency. There is no evidence that private ownership, in itself, ensured greater enterprise efficiency. No trend of accelerated growth could be attributed to privatisation. Economies generally did not benefit much, while significant sectors were adversely affected, as unemployment and job insecurity increased.

Of all the countries surveyed, capacity utilisation, sales revenue, tax contributions, profitability, product quality and diversification only increased in Uganda compared to before privatisation. In Hungary, privatisation attracted a large wave of foreign direct investment in the country. Production and employment levels in privatised Hungarian firms fell to between a third and half of pre-privatisation levels. Average productivity increased rapidly due to multinational -- not privatised Hungarian -- firms. Research and development (R & D) was substantially reduced following privatisation.

Privatisation processes have generally lacked transparency. Taxpayers have often felt robbed of public assets, and governments have been unable to raise much revenue from enterprise sales because most were undervalued for sale, ostensibly to ensure privatisation's success and public acceptability. In many countries, privatisation placed strategically important services under foreign control.

Agriculture

Economic liberalisation in rural areas and reduction of the developmental role of government, along with trade liberalisation and currency devaluation, have favoured production for export over the domestic market, and also increased inequalities. The rural cost of living has risen as incomes have fallen. Privatisation, liberalisation and deregulation of mining and other extractive industries have had generally negative impacts on land use and on the environment. These policy consequences have often been particularly strongly felt by women. With policy failing to consider gender, agricultural adjustment measures have imposed greater burdens on women.

Agricultural reforms have exacerbated inequalities. Land use for large-scale export crops production has replaced food crop cultivation for local consumption, often causing small farmers to overexploit marginal-quality land. Agricultural adjustment policies have led to further environmental problems. In several areas, new agricultural production following such reforms has had negative environmental impacts. New patterns of agricultural production, particularly for export, have often exacerbated chemical pollution of land, depleted water tables, caused soil erosion and exhausted natural resources.

Trade liberalisation, agricultural reforms and other sectoral and structural adjustment measures have marginalised the rural poor, reduced cultivation on productive farmland for the local market and undermined food security. Well-to-do, large-scale producers with access to productive resources, particularly those producing for export, have generally benefited more from such reforms. Meanwhile, small farmers, particularly those producing food for domestic populations, have experienced rising costs and reduced access to credit, land and markets. Such policy effects have been particularly strongly felt by women.

Agricultural reform policies were designed and implemented to increase agricultural exports — and thus economic growth — and to improve farmers' incomes. Liberalisation of internal and external trade was intended to allow the market, rather than the government, to allocate resources and to determine the prices of inputs and outputs. Besides reducing government expenditures, these reforms sought to reduce barriers to cheap agricultural imports, controls on interest rates, regulation of financial institutions, subsidies for agricultural inputs, and government involvement in the production, distribution and marketing of inputs and outputs.

As a result of reforms, production subsidies were removed, public expenditure on extension services declined, and credit became more costly. The real incomes of farmers, particularly smaller ones, have not improved, principally because the prices of agricultural inputs have risen everywhere. Even where there were increases in produce prices, production cost rises have generally been higher. Most farmers' net incomes did not improve as a result of the reforms, primarily due to production cost increases (for seeds, fertilisers, irrigation and equipment), as production costs tended to increase more than income growth from sales.

Food security declined in most countries, while, the reduction of local food supplies has not been paralleled by increased market access for the rural poor, who still lack the means to purchase food, with many rural residents suffering from inadequate food intake and growing malnutrition.

Mining

Liberalisation, deregulation and privatisation of mining have enabled transnational corporations to remove resources and profits from countries while failing to generate sustainable economic growth benefiting national or local economies. According to the Report, mining sector growth has contributed surprisingly little by way of government revenue and net foreign exchange earnings. The privatisation, deregulation and liberalisation of mining have also not generated significant employment because surface-mining operations have relatively low labour requirements. Mining has also taken away large tracts of land from farmers, while rarely providing enough jobs to offset agricultural employment losses.

The new policy framework has facilitated more large-scale mining threatening the traditional land rights of indigenous peoples and weakening community control over land and other natural resources. Reforms have large-scale mining to expand with less effective environmental controls, polluting and degrading local environments, adversely effecting local health.

The expansion of large-scale mining has also had negative social impacts. Growing community displacement has pushed youth into towns, where their frustrations have often resulted in social problems, such as drug abuse and prostitution. Increased living costs in 'boom' communities near mines have compounded the loss of traditional sources of livelihood. School-age children have been 'pushed' into menial jobs, with child labour and school-dropout rates notably higher in mining communities.

Education and Health

The quality of education and health care has generally declined as a result of pressures to reduce public expenditure, particularly in rural areas and poorer regions. Educational quality was found to be woefully inadequate and declining, while cost-sharing schemes have seriously constrained access by the poor to health care and education. Decentralisation of services and their management has generally been disastrous, partly because it has often been inadequately funded. School infrastructure is often lacking, shortages of educational supplies are widespread, and teachers' real incomes have declined, as have teacher-student ratios.

The Bank's social sector prescriptions and policies are criticized for having gone well beyond 'regrettable, but necessary' cutbacks in health-care and education spending. The social sector has also been subjected to free-market forces in significant ways. The role of the state has radically shifted away from being a provider and guarantor of previously universally accessible social services to only providing essential services ostensibly to those 'on the margins' whom the market has failed to reach.

Public spending for social services has decline sharply. Spending controls and cost-sharing schemes were implemented during periods of economic decline and growing poverty, when social assistance and social services for the poor were most needed. Currency devaluation has had a particularly strong impact on health care, as most medicines and medical equipment must be imported. Only in Uganda did both health-care and education spending increase during adjustment, although health-care spending has been declining since.

A key feature of social sector reforms has been decentralisation of services and administration to the regional and local levels. While devolution has some merit, it has been disastrous in many contexts because it has often been little more than a 'downloading exercise without adequate funding to support it'. Often, local governments have lacked the personnel, knowledge, skills and other resources needed to assume such additional functions.

This has exacerbated the lack of supplies, drugs and funds for repair and maintenance of medical equipment, most of which were already in deplorable condition. As a result, health services have become more inadequate and inaccessible particularly to the poor. Poor municipalities also have more difficulty in maintaining, let alone developing schools. The decline of public schooling has also encouraged the growth of private schools, which has segmented the education system and exacerbated inequality of opportunity.

Structural adjustment has generally led to reduced public spending for health care and education. Even when spending levels have risen, improvements have been inadequate. Cost-sharing and revenue-generating schemes have also constrained access of the poor to quality services. Education and health-care services were poor and, in many cases, still deteriorating in every country studied.

Education quality has also worsened due to budget constraints. Real wages for teachers have dropped while student-teacher ratios have increased. Teacher training -- important for improving educational quality -- as well as incentives for retaining experienced teachers have been inadequate and under-funded. Inadequate educational infrastructure, materials and supplies, as well as declining teacher salaries and training, have negatively affected the quality of education at all levels. Family income has, once again, become the most important determinant of enrolment in institutions of higher learning. Funding cutbacks have adversely affected many educational services, leading to higher dropout rates.

Controls on spending were accompanied in most cases by revenue-generating schemes requiring users to share the costs of services. Revenue-generating programs have also transformed service institutions into public corporations mandated to ensure cost recovery and even profit generation. Increased user fees -- as part of cost-recovery and revenue-generation schemes -- have seriously constrained access by the poor to education and health-care services. User fees have also caused increasing inequalities, both between and within communities, as the poor are left behind. In most cases, increased user fees have offset gains.

The quality of available health care has worsened, especially in poor regions and rural areas. Deteriorating health-care facilities, inadequate medicines and under-staffing have been attributed to the reforms. In some countries, physicians tend to be concentrated in urban centres, while many rural health units remain “doctor-less”. In several cases, health facilities serving poor areas have experienced long spells without drug supplies.

Higher user fees for health-care services has led to increasing self-medication and home health care, negatively impacting on the utilisation of health-care services in both rural and urban areas, particularly by the poor. The rise in the costs of health-care services and medicines is the primary reason that most poor households engage in self-medication and delay seeking appropriate medical treatment, sometimes aggravating the spread of communicable diseases. More people now only seek medical attention when their illness is already severe, increasing the numbers who die from curable diseases and often creating public-health hazards by spreading diseases in their own communities.

Only partial reforms were implemented in the public-health system in Hungary in the 1990s. In spite of reductions in health care resources throughout the 1990s, the system continued to provide universal access. Still, the poor have been the primary victims of the liberalised pharmaceutical market, reduced subsidies for therapeutic equipment, and increased costs of medical care.

The reforms involved systematic reductions in the state’s role and capacity to provide universal social services, with access increasingly subject to the market. Education and health care are less provided by the state, but increasingly bought in the market by those who can afford them. As a result of increased fees, for example, school-dropout rates rose in most countries, particularly among girls.

Elimination of subsidies for universally provided services has negatively affected the quality of life, especially for the poorest. Reduction of subsidies for essential services has most adversely affected those with the lowest incomes. A policy of targeted subsidies becomes especially problematic when the majority of the population is poor and becoming poorer, and the subsidies do not compensate for the failure of macroeconomic policies to revive production, generate employment and increase incomes.

How Is The World Bank Changing?
The pendulum has swung away from the 'market fundamentalist' Reagan-Thatcher-Krueger 'counter-revolution' against development economics (for an assessment of Anne Krueger's ideological legacy at the Bank, see Kapur *et al*. 1997). However, as is well known, the Bank has been largely intolerant of contrarian views within its own ranks in recent years after a brief springtime in the mid-1990s. Its then Senior Vice President and Chief Economist, 2001 Economics Nobel Laureate Joseph Stiglitz was forced to leave the Bank in January 2000 after criticising its sister organisation, the International Monetary Fund (IMF), the role of the US Treasury

Department, the Washington Consensus and neo-liberal economic in several speeches (Stiglitz 2001; also see Stiglitz 2002), reputedly at the behest of then US Treasury Secretary and now Harvard President, Lawrence Summers.

In April 2000, Ravi Kanbur, a former senior Bank official and Cornell University professor specially recruited for the purpose, resigned as head of the team preparing the special 2000 *World Development Report* (WDR) on poverty, published every decade. He too cited US Treasury interference in censoring the study, hinting strongly of Summers' not so invisible hand. Summers, of course, had been strongly condemned almost a decade before, when he himself was Bank Senior Vice-President and Chief Economist, for issuing a memorandum suggesting that toxic waste be dumped in the poorest African countries in view with their lower opportunity costs and presumably greater economic gain from the financial compensation for 'hosting' such material. In 2001, senior Bank research economist, William Easterly was subjected to a disciplinary inquiry for publishing unauthorised articles in the international financial press based on his then recently released book, whose publication had been authorised by the Bank (Easterly 2001).

These and other developments suggest that the brief 'springtime' at the Bank in the second half of the 1990s has come to an end. It has been variously associated with Wolfensohn's first term as president and Stiglitz's interrupted stint at the Bank. The close links between the US administration and the Washington-based Bretton Woods institutions is generally acknowledged to have become more pronounced since the Robert McNamara presidency ended more than two decades ago, as captured by the term, 'Washington Consensus'. Seen in this context, the Bank's late withdrawal from the SAPRI process may not come as such a surprise after all.

However, it is also possible that the Bank personnel involved in the SAPRI process withdrew for other reasons not mentioned in the Report, though it is also possible that such reasons have been subsequently invoked to justify the withdrawal decided upon for other reasons. It is difficult to ascertain this without a painstaking inquiry in which Bank personnel are able to speak off the record and can be assured that they will not be subject to discipline and censure for such private remarks. In the aftermath of the Easterly departure, it is difficult to imagine how such a commitment can be credibly made.

Although there are many good people in the Bank and some Bank leaders may honestly seek genuine dialogues with others holding different views, including critics, the recent trend is ominous. The Bank should be held to account for its withdrawal from SAPRI towards the end of the process. In doing so, it was able to circumscribe and influence the nature of the process and report, while disassociating itself from the final outcome. Although the SAPRI process began before Seattle and subsequent protests against the ‘three horsemen of the apocalypse’ – including the Bank – it will only confirm widespread suspicions regarding the Bank’s commitment to acknowledge and learn from past errors.

In the aftermath of September 11, with growing US unilateralism in international affairs, such developments do not bode well. The disappointments over the Monterrey, Johannesburg and Cancun conferences to make any major headway on financing development, sustainable development or the Doha ‘Development Round’, after the various setbacks of recent years, can only strengthen such frustration and alienation.

Concluding Remarks

The book draws heavily on country reports. The Report is likely to be certified for providing limited information and summary assertions in support of often strong claims, crucial arguments and important criticisms. Few references are made to more detailed information presumably available in the country studies or other supporting studies. The volume would have benefited from greater inclusion of supporting details and other evidence for claims and assertions made as well as greater editing out of repetition and redundancy.

The Report does not offer a comprehensive review of macroeconomic and other distributional effects of adjustment and other national trends on a comparative basis, thus not enabling the reader to appreciate many claims made by the Report. Presumably, these are in the national reports, but should have been incorporated in the ‘global report’. Instead, the Report eschews macroeconomic and statistical (econometric) analyses. This is a pity as the Report makes some strong claims and criticisms of macroeconomic policy and impacts, which would have been greatly strengthened by a more rigorous engagement with the evidence.

Similarly, many of its claims – e.g. regarding the impact of trade and financial liberalisation -- would be more persuasive and convincing if supported by strong statistical evidence. The Report does not offer a comprehensive review of the distributional effects of adjustment and other national trends on a comparative basis, not allowing the reader to appreciate many claims made by the Report. Presumably, these are in the national reports, but should have been incorporated in the ‘global report’ not withstanding the authors’ own preferences otherwise. The Report’s claims are consistent with other research findings, but the methodologies and presentation chosen do little to enhance their own case.

One retort to this criticism might be that other studies already provide such evidence (which is not really the case), while the novelty of the Report is to give voice to civil society criticisms of the Bank’s structural adjustment policies. Some Bank documents do the same for their case in a readable and even literary fashion. A sense of how far the Bank itself was prepared to go can be gleaned from the first draft of the 2000 special World Development Report on poverty originally led by Ravi Kanbur, which was posted on the internet. The book would have benefited from the inclusion of more supportive evidence, including more national macroeconomic indicators and other statistical analysis, as well as editorial reduction of repetition and redundancy. A companion volume making the major arguments in a less analytical and more literary style, perhaps relying on interviews and views expressed during the national and other forums organised as part of the SAPRI process, would have served as an effective supplement.

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