**Structural Adjustment**

Economic policies imposed by the IMF in exchange of new loans or the rescheduling of old loans.

Structural Adjustments policies were enforced in the early 1980 to qualify countries for new loans or for debt rescheduling by the IMF and the World Bank. The requested kind of adjustment aims at ensuring that the country can again service its external debt. Structural adjustment usually combines the following elements: devaluation of the national currency (in order to bring down the prices of exported goods and attract strong currencies), rise in interest rates (in order to attract international capital), reduction of public expenditure (’streamlining’ of public services staff, reduction of budgets devoted to education and the health sector, etc.), massive privatisations, reduction of public subsidies to some companies or products, freezing of salaries (to avoid [inflation](http://www.cadtm.org/Inflation) as a consequence of deflation). These SAPs have not only substantially contributed to higher and higher levels of indebtedness in the affected countries ; they have simultaneously led to higher prices (because of a high VAT rate and of the free market prices) and to a dramatic fall in the income of local populations (as a consequence of rising unemployment and of the dismantling of public services, among other factors).

IMF : <http://www.imf.org/external/index.htm>

World Bank : <http://www.worldbank.org/>

[http://www.cadtm.org/Structural-Adjustment,1133](http://www.cadtm.org/Structural-Adjustment%2C1133)