SAPs
"Structural Adjustment": Making Debt Deadly

Sitting with her father on a wicker mat, three-year-old Zenithou has dark curls and a face that has been destroyed. She is fighting a disease caused by ordinary mouth bacteria that eats through her facial muscles, tissue and bones. Ali, her father, is a sieve maker who had to sell 150 sieves before he had the money to take her to the hospital. Zenithou's country, Niger, is experiencing crippling poverty. Simple antibiotics and mouthwash may have saved Zenithou, if her illness had been caught earlier.

Misplaced economic policies tied to lending by the World Bank and IMF are what have made international debt deadly for poor people in poor countries. Zenithou did not have access to the mouthwash because of fees attached to even the most basic health care – these fees are one example of the harmful economic conditions attached to debt relief and new loans.

International creditors – principally, the IMF and the World Bank – use the endless process of renegotiating debt payment on debt as leverage to promote and impose economic policies. The policies and the process by which they are implemented are known as "structural adjustment programs" or SAPs. Structural adjustment is a one-size-fits-all package of economic policies that the IMF/World Bank say were designed to help countries become fiscally stable, encourage economic growth, reduce inflation and pay back their debt.

However, these policies cause more harm than good for ordinary people, communities and the environment. What's more, they have failed to achieve their stated goals.

Loss of Sovereignty and Freedom

Binding requirements on loans and debt relief take away governments' sovereignty and freedom to make decisions on key economic and social policies for their people. The world's richest countries contribute the most money and therefore have the biggest vote on decisions made at the World Bank and IMF. Because the US puts in the most money and thereby has the most influence, the standard set of SAP policies are known as the "Washington Consensus."

Although these policies are determined in Washington, the wealthy countries have yet to submit their own economies to these the SAP prescriptions. In many cases, wealthy nations do the opposite of IMF advice by supporting subsidies for industry, trade protections, minimum wage laws, and provision of public services.

The Changing Name of SAPs

The term "structural adjustment" is a catch-all phrase used by critics for the economic policies promoted by international financial institutions like the World Bank and IMF. The term was originally used to describe countries that were spending outside their means and needed to "adjust" to a sustainable level of imports and expenditures.

Due to the controversial nature and increased criticism of these programs, the World Bank and IMF use this phrase less frequently today than in the past. Now the officials of these institutions refer to "poverty reduction programs." However, the core economic policies that they promote have remained the same.

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The term "structural adjustment" often refers to (but is not limited to) the following se

Policy	Explanation and Official Reason for the Policy	Impact of the policy
Trade Liberalization	The IMF and World Bank require borrowing governments to lower trade barriers. This allows more foreign goods into the domestic economy which is supposed to lower prices and generate efficiency through increased competition.	This floods the domestic economy with domestically-owned companies out of b unemployment becomes worse, and go
Subsidy Cuts	Borrowing governments must lower or eliminate the subsidies they provide for their domestic companies and industries. This is to save government expenditures and in theory increase efficiency by forcing local industry to compete without assistance.	This further weakens domestic compani tion in their domestic markets with the f liberalization. Eliminating subsidies for d new products and services undermines develop their economies, and keeps co cultural exports.
Privatization	Borrowing governments must selloff their state-owned companies and public utilities to domestic elite or foreign private investors. This stems from a belief that private sector ownership is preferable to public ownership. The claim is that basic services will be provided more efficiently.	This concentrates wealth into fewer han economy as foreign investors seek to re countries. It also reduces access to thes water, such reduced access is a threat each year of diarrheal diseases related
Budget Cuts	Borrowing governments must drastically cut back their public spending in a number of areas including public health, education or other social services. This is needed to balance budgets and ensure debt payments can be made.	Budget cuts mean that governments no services. Therefore, "user fees" are ofte the services that used to be free. These ing health care or school for their child many countries.
Labor Flexibility Reforms	Reforms do away with minimum wage laws, worker safety regulations and labor rights. This is supposed to encourage foreign investment because labor will be cheaper.	The impact of these policies is that cou and restrict workers rights to organize. on the books, countries must weaken o labor laws, it is difficult to develop a th

et of policy reforms that are typically enforced through World Bank and IMF lending.

	Examples
cheaper imported goods, and in turn drives businesses. When this happens, the problem of overnments generate less revenue.	Ten years ago, Zambia had a thriving clothing industry. In exchange for loans from the IMF and World bank, Zambia lowered trade barriers. Tons of cheap, second-hand clothing poured into the country, virtually duty free. Zambia's textile factories could not compete and the industry virtually vanished, costing 30,000 jobs.
es, especially as they face increased competi- lood of imported goods resulting from trade companies to do research & development of the ability of many countries to diversify and ountries locked into producing only basic agri-	"In the Ghanian village of Kpembe, the chief invited us for lunch. We ate chicken feet, soup and American rice. And yet the Katanga valley, just a couple of miles away, was until recently Ghana's rice bowl. It now lies fallow. Ghana used to be self sufficient in rice. The World Bank and IMF decreed subsidies had to stop, that poor countries should concentrate their efforts only on what they can export. And yet the US rice industry receives tens of millions of dollars in support." (Excerpt from John Kampfer "Ghana Becomes a 'Cash and Carry' Society", The Guardian, February 8, 2002.) Ghana's rice industry could not survive without subsidies and thousands of jobs and food self-sufficiency were lost.
nds and removes profits from the domestic eturn profits to their shareholders in the rich se services as costs increase. In the case of to public health. Over two million children die to the lack of access to clean water.	When the Bolivian government sold the city's water system to a consortium of foreign investors, residents had to pay three times the rates. A general strike closed the city for four days and was followed by massive protests over this and other government policies. Eventually, the government re-nationalized the water system. However, similar privitizations continue to be pushed in dozens of countries around the world with devastating effects on poor consumers.
longer have the resources to provide basic n charged to supplement the cost of providing fees prevent the poorest people from access- ren, worsening the health and literacy crises in	Demba Djemay is a nurse in an understaffed and under-equipped clinic in Senegal. "Under these conditions," he said, "I simply cannot provide my patients the kind of care they urgently need." He can write a prescription, but he said, "Most patients would have to trade away the family's food supply to purchase the medicines. Many have already sold livestock to pay for their transportation to town and hospital admission fee. So often after losing a day or more of work, patients go home empty-handed." Source: Dying for Growth, 2000, Common Courage Press.
ntries pass laws to lower their minimum wages In cases where labor laws and protections are r abandon these provisions. Without strong riving middle class.	In Haiti the IMF and the World Bank told the government that they could not raise the minimum wage. In Poland the IMF told the government to reduce the minimum wage. In Argentina, the IMF and the World Bank promoted a change in labor laws which make it more difficult for workers in small farms to organize.

MORE POVERTY, LESS GROWTH

"Structural Adjustment" programs undermine the ability of a government to protect and support long-term public interest goals as these are subordinated to a preference for the short-term interests of the private sector and debt repayment. These policies accelerate the depletion of forests, fisheries and minerals through greater levels of exports. While SAPs seek to enhance the legal rights, property rights and protections of foreign investors, they undermine local attempts to strengthen labor rights, human rights, or enact land reform or other social protections.

These policies have created a situation comparable to the Great Depression for countries in Africa, some parts of Asia, and Latin America. Income per person in Latin America grew by 75 percent from 1960 to 1980, before SAPs were introduced. From 1980 to 2000, when SAPs were implemented, it grew by only 7 percent. Africa fared even worse, with a decline of some 15 percent in income per person during the same time period. Structural adjustment has failed to create economic growth.

Structural adjustment results in reduced progress on major social indicators such as life expectancy, infant and child mortality, literacy, HIV/AIDS and education. The very lives and health of billions of people have been stunted.

WE HAVE THE POWER TO MAKE CHANGE

In the last few years, campaigners in the U.S. advocated for the removal of particular "structural adjustment" policies. In 2000, the U.S. Congress passed a law that requires the U.S. to oppose any World Bank or IMF loan that includes user fees for basic health or education services. As a result of the law, and other public pressure, the World Bank reversed its support for user fees on primary education.

Already we are seeing dramatic effects of this effort. In Tanzania, when user fees were first imposed on primary education, three million children left school because they could not afford the fees. When the government was allowed to lift the fees and gained more revenue for education from debt relief, 1.5 million children returned to school within three months!