BMUN LXIV

SIXTY-FOURTH SESSION

World Bank

Berkeley Model United Nations

Dear Delegates and Advisors,

Welcome to the World Bank! My vice chairs and I are thrilled to have you join us in March for a weekend of heated discussion about some of the most pressing issues facing developing countries and the global poor today. Below you will find detailed information regarding our topics, which I hope you feel as strongly about as we do. However, before we continue I would like to introduce you to your dais for the 64th Session of BMUN.

My name is Jonas Majewski and I am a third-year student at UC Berkeley pursuing simultaneous degrees in Business and Economics. I was born in Germany, but have lived in the Bay Area for the majority of my life. My academic interests primarily surround banking institutions, economic development, and macroeconomics as a whole. Outside of BMUN, I am involved in various research projects on campus in addition to coaching debate at my old high school. In my free time I enjoy scuba diving, backpacking, and cooking. Now to introduce my vice chairs in their own words:

My name is Andy Luo, and I am currently a first year student at UC Berkeley with an intended major in Molecular Cellular Biology and possibly Economics. I came to Berkeley from a small town in New Jersey called Plainsboro, where I spent the last 11 years of my life. Some of my favorite hobbies that I enjoy during my free time include playing basketball, rock climbing, and working out at the gym. After college, I plan to either attend graduate school or business school and I hope that in the future, I can work under a pharmaceutical company in the field of cancer drug development.

Hi everyone, my name is Nicola Evans and I am excited to be your vice-chair. I am half British and Australian and have a slight accent, but don't let it fool you, I'm straight out of Newport Beach, CA. I am majoring in Business Administration and Cognitive Science and will most likely sell my soul next year helping big banks shape policy to get even richer. Looking forward to meeting you all!

Hi Delegates! My name is Rob Purviance and I will be one of your Vice Chairs for World Bank. I joined BMUN last year as a sophomore and served as Vice Chair of the Special Political and Decolonization Committee, so hopefully there will be some familiar faces in committee this year. Outside of BMUN I study Economics, play soccer and golf, rock climb, and explore the Bay Area at every chance that I get. I am incredibly interested in, and passionate about, economics and finance, so I cannot wait to share that passion with all of you. The best part of BMUN is learning from the ideas that you all have, which is what makes me so excited to get to know everyone.

We wish you the best of luck with your research, and look forward to meeting you at Conference!

Best,

Jonas Majewski
jmajewski@bmun.org

Table of Contents

Topic 1: Cash Transfers as a Form of Aid

I. Topic Background

The roots of institutional aid and charities can be traced to the latter half of the 19th century. Some of the earliest globally focused aid organizations such as the International Committee of the Red Cross (IFRC) began to emerge during this time. The Industrial Age created greater wealth more rapidly than at any previous time in history, allowing individuals to single handedly create large foundations and effectively shifting the charity model away from a more community based approach. Tycoons, in part to stave off complaints about growing income inequality, poured significant funds into newly created foundations and endowments (Aguilera).

This charity model continued for the first several decades of the 20th century without much variation. However, the catastrophic destruction of World War II created a need for aid that only other governments could fill. With much of Europe in ruins, the United States—in part to counteract Soviet influence—created a comprehensive plan to rebuild the continent with over $12 billion in funding ("Milestones: 1945-1952"). Secretary of State George C. Marshall's plan was a resounding success—Western Europe quickly recovered from its post-war low. However, the increased government involvement in aid giving became a permanent fixture.

With the Cold War rapidly spreading to developing nations, aid became a central pillar in North Atlantic Treaty Organization's (NATO) strategy to increase its influence. The Foreign Assistance Act of 1961 passed under President John F. Kennedy consolidated various governmental organizations into USAID, putting international development assistance under the purview of a single organization. The organization expanded quickly its first decades. More significantly, it shifted the focus of development aid from technical assistance to the provision of basic needs like health, education, and nutrition. USAID has now expanded to more than 100 countries and provides vital assistance to poor citizens around the world ("USAID History"). Given USAID's success, other governmental organizations such as Britain's Department for International Development followed.

Types of Development Assistance: In-kind vs. Transfers

Throughout the first 100 years of major development assistance, the basic types of aid provided by both public and private organizations did not change significantly. Development programs focused on providing goods and services directly to citizens at either no cost or reduced charge. By the start of the 21st century, many development economists were beginning to question the efficacy of these organizations. Perhaps no group of researchers played a more crucial role in quantifying the effects of aid than MIT's Abdul Latif Jameel Poverty Action Lab (J-PAL) under the leadership of Esther Duflo. The French economist was one of the earliest proponents of utilizing randomized controlled trials (RCT's) in rolling out new aid programs, allowing the direct effects to be quantified by comparing against a randomly selected control group that did not receive the new benefits. What followed was an absolute revolution in development assistance.

New studies around the world quickly established that the public sector and NGOs frequently lag far behind the private sector's efficiency in delivering goods and services to where they are needed. A recent paper examining in-kind subsidies provided by the Indian government found that around 40% were lost to corruption and waste before they reached their targets ("Cash, with Strings"). With J-PAL and other researchers openly promoting such findings, it should come as no surprise that a new line of thinking on aid delivery emerged over the last decade. The idea of simply transferring cash to needy recipients, promoted by charities like GiveDirectly as a far more efficient aid delivery mechanism, has become highly popular with a new generation of donors and organizations alike (GiveDirectly). These transfer programs—established in just three countries in 1997—were active in more than two-dozen nations by 2008 (Fiszbein).

The basic logic underlying cash transfers is beautifully simple. In this view, poor individuals in developing nations know far better what they may need to boost their standard of living than a foreign aid organization. The private sector is the most efficient means of delivering goods and services. Finally, the aid organization can avoid establishing an expensive supply chain and logistics hub, freeing up even more funds to provide to needy recipients.

In practice, this new line of thinking does appear to have significant value, but also increasingly well-documented shortcomings. A major study in Malawi, for example, discovered that cash transfers conditional on fulfilling certain obligations had significantly larger effects on improving educational outcomes than unconditional transfers (Baird). However, hiring employees to check that conditions are being met begins to reduce the cost advantage that transfers provide. More importantly, many major economists argue that cash transfers fail to address underlying causes of poverty in ways that highly effective forms of in-kind aid can.

Government Cash Transfers: Vote Buying or Poverty Relief?

With the growing prevalence of cash transfers in government-sponsored initiatives, political concerns have also begun to emerge. In practice, it is difficult to discern whether programs in developing nations are designed to foster support among aid recipients for the government or to truly serve as legitimate development initiatives. Aid programs in developing countries can have major effects on the court of public opinion. With the emergence of new statistical techniques and improvements in data collection, it is now possible to quantify these effects. For example, a recent study authored in part by UC Berkeley's own Ted Miguel, a professor of environmental and resource economics in the Department of Economics, examined the effects of a temporary Uruguayan anti-poverty cash transfer program called PANES on political support for the government. The study found that recipients of cash transfers expressed levels of support for and confidence in the government that were 10-15 percentage points higher than their counterparts (Manacorda).

With weak institutions and poor governance still rampant in much of the developing world, badly designed government transfer schemes could be exploited by politicians to buy political support while actually worsening the long-term living standards for the country's citizens. Perhaps the most infamous example of this behavior stems from Venezuela, where Hugo Chavez lavished the poor with drastically increased welfare payments during his last re-election campaign. When Chavez died months later and cutbacks installed to reduce the country's ballooning budget deficit, a cycle of political instability and repression began that has continued through today (Cancel).

Nonetheless, despite legitimate concerns about their effects on public opinion as well as whether transfers are the most effective way to distribute aid, cash transfers have established themselves as a key pillar of development aid.

II. World Bank Involvement

The World Bank plays a major role in development projects around the globe, both directly and indirectly. It currently administers more than 12,000 projects in 173 countries ("Projects and Operations"). In fact, several of the World Bank's five institutions focus on providing development aid to the globe's poorest citizens. The International Bank for Reconstruction and Development (IBRD) provides loans to "middle-income and creditworthy low-income countries." The International Development Association in turn specializes in providing interest-free credits and grants to the poorest countries. These loans in turn are used for government projects that directly influence the lives of the poor. However, the World Bank also directly intervenes in private-sector development through the International Finance Corporation, which provides financing and advisory services for market-based solutions.

With so many active projects and diverse ambitions, it should come as no surprise that the World Bank has been directly involved in cash transfer schemes around the world. In one of its largest projects in Africa, the group provided key advisory services in helping the government of Morocco launch a conditional cash transfer program known as the Tayssir program meant to increase attendance among rural primary school students. Following a successful pilot program evaluation, the transfers now support more than 160,000 Moroccan households and around 300,000 students ("Morocco: Conditional Cash Transfers and Education").

Beyond directly contributing to global aid projects, the World Bank also maintains an enormous degree of soft power in the discipline of development economics. It actively researches best practices and provides analysis to policymakers worldwide that strongly influence their decisions. Moreover, it condenses the glut of academic studies on development issues into briefs for the public and other researchers. Finally, the World Bank also directly commissions studies on the effectiveness of various aid programs and policies. Much of this research has focused on cash transfers. For example, an analysis of programs in Latin America found that, though questions about the long-term effects of cash transfers remain unanswered, cash transfers in the region were generally at least moderately successful in achieving desired outcomes (Rawlings).

Thus, the World Bank has significant control over aid programs, both directly and through the soft power it exerts on NGOs and governments around the globe. The group's future guidance on cash transfers will have significant effects on how much more widespread these programs become.

III. Case Studies

Mexico: Progresa-Oportunidades

In the 1990s, Mexico's education system was in shambles. Educational inequality was extreme as the country's poorest citizens lagged far behind their wealthier counterparts in both enrollment and educational outcomes. In response, the government in 1997 launched an extremely ambitious welfare scheme to provide cash transfers to the poorest Mexican households conditional upon their children's school attendance. Though it was certainly not the first welfare program in the developing world it was unique for a key reason: Progresa was rolled out with a built-in RCT to quantify its effectiveness. Mexico partnered with the International Food Policy Research Institute to conduct the independent evaluation (Behrman 19).

In order to implement the program, the researchers first randomly assigned several hundred villages into a treatment group that received Progresa transfers immediately and a control group that did not receive them until 2000. Eligibility for the program was determined by creating an index to evaluate overall wealth and income. Around 78% of the 50,000 households in these villages were found to be eligible to receive cash welfare under the program. The study then tracked outcomes for both groups of villages over time as one set received the transfers and the other continued as before (Schultz).

After two years, the results were analyzed and compiled into a major report on the issue. The results were startling. After comparing both groups of villages, the study found that receiving the conditional cash transfers had increased children's average enrollment time in school by 0.66 years. Given that many students did not even complete primary school, this was a significant improvement. Overall, the study estimated that the returns to the program against its costs came out to 8.1%—a modest but still valuable improvement. Moreover, the study also found a low elasticity of demand for education, meaning that the poor frequently prioritized paying for tuition over many other expenses. This fact implies that furnishing cash transfers to the poor would also help to improve other areas like health, nutrition, and housing as disposable income increased. Given these realities, Progresa was continued and now provides aid to more than 5.8 million households throughout Mexico (Schultz).

However, this was not the end of scrutiny for the program. The International Food Policy Research Insitute's study was incredibly comprehensive for the time and granted the opportunity for researchers to explore Progresa's effects on many different key drivers of well-being (Behrman). Beyond setting attendance requirements for older children in order to receive cash transfers, the program also mandated immunizations, prenatal care, and nutritional monitoring for pregnant mothers and newborns. The effects of these requirements was astounding. Children of families enrolled in the program were 25.3% less likely to fall ill than their counterparts in the control group during their first six months of life. These children were significantly less likely to be anemic and grew around a centimeter more during the first year of the program. In fact, health benefits increased over time. Children born around the start of the program had illness rates 39.5% lower than their control counterparts after 2 years in the program. Progresa thus positively affected not only school enrollment rates, but also children's health by affecting parents' decision-making in using monetary incentives (Gertler).

Thus, in Mexico cash transfers were shown to have strong effects on the behavior aid recipients. However, what is perhaps most interesting is that citizens did not need to be recipients in order for them to experience positive effects. Five years after the initial Progresa report was published, a study by Gustavo Bobonis and Frederico Finan examined what exactly happened to those households who did not qualify for the program but lived in villages where it was administered. Pouring over the old data, they discovered significant spillover effects of Progresa on ineligible children, likely as a result of higher standards of living in the community and societal changes resulting from behavioral shifts in aid recipients. For every 10 percentage point increase in the school enrollment rate of a child's peers, the child was 5 percentage points more likely to attend secondary school (Bobonis). Simply being around program beneficiaries in itself benefitted other Mexican children. Proponents of cash transfers point to these results as the pinnacle of what such programs can achieve.

In the field of development, Progresa was so impactful not only because of its remarkable results, but also because of the rigorous, quantitative evaluation that accompanied the program. Though RCTs may not be able to capture all aspects of development schemes, they provide valuable information and will continue to become more prevalent in the future, both for transfers and in-kind programs. Progresa should by no means be viewed as a one size fits all solution. However, its success does raise significant questions about the comparative value of cash transfers against in-kind programs.

India: Government Subsidies

With cash transfers exploding in popularity over the last two decades, it was only a matter of time before they would gain widespread use in the world's second largest country and home to the largest share people living under the global poverty line. India has a long history of providing subsidies for its poorest citizens in the form of food rations, cooking gas, and other staples. Unfortunately, vast amounts of this in-kind aid flows onto illegal secondary markets with the profits falling into the pockets of corrupt officials. About 40% of all food rations never reach their intended targets (Pearson). While some of this is undoubtedly caused by food spoiling as it trundles along the country's poor transportation infrastructure, even long-lasting staples frequently disappear. The Indian government's latest economic report estimates that fully 54% of wheat and 50% of sugar rations never end up at their final destination (Joseph).

In the face of such damning statistics, the central government recently began to take action. An enormous, nationwide project has been recording Indians' biometric information and opening bank accounts for them. As of late 2014, more than 650 million Indian citizens had been scanned and processed with the government setting a target of 1 billion by the end of 2015 (Ribeiro). Previously lacking the required infrastructure, cash transfers have become a far less complex form of aid distribution than India's vast subsidy network. Consequently, the government has taken action to shift some aid programs over to a cash transfer scheme. Chief among these is the transition to providing cooking gas subsidies via direct bank transfers rather than government-provided rations. The effects of the transition have already been enormous—a recent government report forecasted that its subsidy bill would fall by around 25% in the coming year as a direct result ("Direct Cash Transfers to Cut LPG Subsidy by 25%: FM"). In the face of ongoing budget overruns and a new normal of slower global growth, such savings are invaluable to a continuously cash-strapped government. Moreover, these direct transfers ensure that significantly less subsidies are lost in transit to corrupt officials and the black market.

However, studies quantifying the effectiveness of cash transfer schemes in India have found mixed results. Perhaps the most interesting evidence on the topic comes from a wide-ranging study in 600 schools across the state of Andhra Pradesh. The researchers evaluated several different interventions like performance-based bonuses, extra teachers, and block cash grants to determine their effect on educational outcomes and test scores. After several years of evaluation, the study found that block grants had significantly smaller positive effects than the other interventions. Far more effective were the provision of extra teachers and the introduction of performance-based bonuses (Muralidharan).

Thus, the long-term effects of cash transfers in India remain unclear. Though they have certainly reduced costs for the government and increased efficiency in some cases, they may not serve as a long-term solution to drive economic development.

IV. Conclusion and Questions to Consider

In a world increasingly driven by number crunching and statistics, the field of development aid is no different. With highly promising initial results, cash transfers have come to be treated by many as a veritable panacea to global poverty. Nonetheless, significant questions still exist regarding their effectiveness at addressing the roots of poverty and their long-term benefits. As the undisputed leader in global development efforts, the World Bank will continue to have a prominent role to play in the discussion.

As you conduct your research, consider the following questions:

1. Are cash transfers truly more efficient in providing aid to to developing countries? For what reasons are cash transfers considered more efficient than in-kind aid? What are some possible downfalls of cash transfers and how can they be addressed? What are the advantages of providing aid in the form of goods and services? Have cash transfers addressed the underlying problems of poverty, and if so, how can the efficacy of cash transfers be assessed?
2. Should cash transfers be allowed as a method to "buy" political support from the community for the government? What parameters should be examined in order to ensure that aid programs are well-designed in providing relief for communities in poverty? How can the exploitation of government transfer schemes by politicians be prevented?
3. How has the World Bank been involved in cash transfers as a form of aid? What are some of the benefits of the World Bank intervening in development aid programs designed to help people in poverty? What are some of the downfalls? Has the involvement of the World Bank in cash transfer aid programs truly been effective in designing more efficient projects suited to address the underlying problems of poverty in developing countries?

Works Cited

Aguilera, Kristin. "Commemorating the 'Greatest Philanthropist in History'" *BloombergView.com*. Bloomberg, 10 Aug. 2012. Web. 23 Oct. 2015. <http://www.bloombergview.com/articles/2012-08-10/commemorating-the-greatest-philanthropist-in-history->.

Baird, S., C. Mcintosh, and B. Ozler. "Cash or Condition? Evidence from a Cash Transfer Experiment." *The Quarterly Journal of Economics* 126.4 (2011): 1709-753. Web.

Behrman, Jere R. *POLICY-ORIENTED RESEARCH IMPACT ASSESSMENT (PORIA) CASE STUDY ON THE INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI) AND THE MEXICAN PROGRESA ANTI-POVERTY AND HUMAN RESOURCE INVESTMENT CONDITIONAL CASH TRANSFER PROGRAM*. Issue brief no. 27. International Food Policy Research Institute, Dec. 2007. Web. 23 Oct. 2015. <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/38597>.

Bobonis, Gustavo J., and Frederico Finan. "Neighborhood Peer Effects in Secondary School Enrollment Decisions." *Review of Economics and Statistics* 91.4 (2009): 695-716. Web.

Bourguignon, F. "Conditional Cash Transfers, Schooling, and Child Labor: Micro-Simulating Brazil's Bolsa Escola Program." *The World Bank Economic Review* 17.2 (2003): 229-54. Web.

Cancel, Daniel. "Chavez Campaign Spending Boom Seen Spurring 31% Devaluation." *Bloomberg.com*. Bloomberg, 1 Aug. 2012. Web. 23 Oct. 2015. <http://www.bloomberg.com/news/articles/2012-08-01/chavez-spending-boom-seen-spurring-31-devaluation-post-election>.

"Cash, with Strings." *The Economist*. The Economist Newspaper, 10 Nov. 2012. Web. 28 Oct. 2015. <http://www.economist.com/news/leaders/21565957-why-india-should-hand-out-cash-rather-fuel-and-food-needy-cash-strings>.

"Direct Cash Transfers to Cut LPG Subsidy by 25%: FM." *Times of India*. N.p., 6 July 2015. Web. 28 Oct. 2015. <http://timesofindia.indiatimes.com/business/india-business/Direct-cash-transfers-to-cut-LPG-subsidy-by-25-FM/articleshow/47950996.cms>.

Fiszbein, Ariel, Norbert Rüdiger Schady, and Francisco H. G. Ferreira. *Conditional Cash Transfers: Reducing Present and Future Poverty*. Washington D.C.: World Bank, 2009. Print.

Gertler, Paul. "Do Conditional Cash Transfers Improve Child Health? Evidence from PROGRESA's Control Randomized Experiment." *The American Economic Review* 94.2, Papers and Proceedings of the One Hundred Sixteenth Annual Meeting of the American Economic Association San Diego, CA, January 3-5, 2004 (2004): 336-41. *JSTOR*. Web. 23 Oct. 2015.

"History." *International Federation of Red Cross and Red Crescent Societies*. International Federation of Red Cross and Red Crescent Societies, n.d. Web. 28 Oct. 2015. <http://www.ifrc.org/en/who-we-are/history/>.

Joseph, Manu. "Poor State of India's Subsidies." *The New York Times*. The New York Times, 05 Mar. 2015. Web. 28 Oct. 2015. <http://www.nytimes.com/2015/03/05/world/asia/poor-state-of-indias-subsidies.html?_r=1>.

Lagarde, Mylene, Andy Haines, and Natasha Palmer. "Conditional Cash Transfers for Improving Uptake of Health Interventions in Low- and Middle-Income Countries." *JAMA* 298.16 (2007): 1900-910. Web.

Manacorda, Marco, Edward Miguel, and Andrea Vigorito. "Government Transfers and Political Support." *American Economic Journal: Applied Economics* 3.3 (2011): 1-28. Web.

"Milestones: 1945-1952." *US Department of State, Office of the Historian*. US Department of State, n.d. Web. 23 Oct. 2015. <https://history.state.gov/milestones/1945-1952/marshall-plan>.

"Morocco: Conditional Cash Transfers and Education." *The World Bank*. The World Bank, n.d. Web. 28 Oct. 2015. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22705763~menuPK:141310~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

Muralidharan, Karthik, and Venkatesh Sundararaman. "Teacher Performance Pay: Experimental Evidence from India." *The Journal of Political Economy* 119.1 (2011): 39-77. Web.

Pearson, Dan. "India's Dangerous Food Subsidies." *The Diplomat*. N.p., 27 Aug. 2014. Web. 28 Oct. 2015. <http://thediplomat.com/2014/08/indias-dangerous-food-subsidies/>.

"Pennies from Heaven." *The Economist*. The Economist Newspaper, 26 Oct. 2013. Web. 23 Oct. 2015. <http://www.economist.com/news/international/21588385-giving-money-directly-poor-people-works-surprisingly-well-it-cannot-deal>.

Rawlings, L. B. "Evaluating the Impact of Conditional Cash Transfer Programs." *The World Bank Research Observer* 20.1 (2005): 29-55. Web.

Ribeiro, John. "India's Biometric ID Project Is Back on Track." *PCWorld*. PCWorld, 11 Sept. 2014. Web. 23 Oct. 2015. <http://www.pcworld.com/article/2606152/indias-biometric-id-project-is-back-on-track.html>.

Rivera, Juan A., Daniela Sotres-Alvarez, Jean-Pierre Habicht, Teresa Shamah, and Salvador Villalpando. "Impact of the Mexican Program for Education, Health, and Nutrition (Progresa) on Rates of Growth and Anemia in Infants and Young Children." *JAMA* 291.21 (2004): 2563. Web.

Schultz, T. Paul. "School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program." *Journal of Development Economics* 74.1 (2004): 199-250. Web.

"USAID History." *USAID History*. USAID, n.d. Web. 28 Oct. 2015. <https://www.usaid.gov/who-we-are/usaid-history>.

Topic 2: Structural Adjustment Programs

I. Topic Background

In their half-century of existence, the World Bank and International Monetary Fund have developed a significant repository of knowledge when it comes to economic development. Their economists have been center-stage in every major postwar period of economic change, and have had the opportunity to learn from mistakes of the past. Consequently, it should come as no surprise that these experts feel more qualified to guide economic policy than the governments of many emerging nations. With weak institutions, rampant corruption, and populist tendencies, many developing countries do indeed lack the soundness in economic leadership that is needed to achieve long-term, sustainable growth. Countries like India, Argentina, and South Africa lag far behind their potential growth as politicians enact regulations frequently bordering on the absurd and actively interfere with corporate affairs.

With such poor policy-making, these very same poorly-run governments are consequently also the most frequent recipients of IMF and World Bank financial aid. Since their inception, loans granted by the Bretton Woods Institutions have always been conditional upon certain criteria. However, in the 1980s the types of conditions attached to loans began to expand rapidly. Countries were no longer simply required to meet broad targets in improved governance; instead, loans began to come attached with a laundry list of highly specific reforms that governments would have to make. These new requirements were introduced due to changes in the then economic climate. By the late 1970s, the global economy was reeling under the weight of major oil shocks, severe stagnation (high inflation coupled with unemployment), and a global debt crisis. With a global economic crisis on hand, many development experts felt that major reforms were required in order for developing countries to once again attract significant investment and escape from recession.

With many of these same nations running into significant funding shortages during this period, the World Bank and IMF saw a major opportunity. The institutions could extract significant reforms that experts identified as being critical in exchange for loans to stave off default. These changes generally required significant reductions in government spending and heavy privatization of state-owned companies. In addition, governments were frequently required to expand their tax base while reducing subsidies and price controls - if not eliminating them entirely. Finally, recipient nations also were often required to devalue their currencies and convert to fully market-based foreign exchange rates. In effect, the world's two foremost supranational financial institutions required debtor nations to convert to market economies in very rapid fashion.

The rationale of these programs was threefold. First, a failure to adjust to a market-based economy would ultimately be hugely detrimental to the poorest citizens, with frequent currency crises and high government deficits eventually precipitating economic collapse. Second, the liberalization of labor markets required under SAPs would primarily benefit the poorest who had been kept from entry level jobs by an overbearing government focused on protecting special interest. Finally, proponents claimed that many SAPs incorporated a "social conditionality" that protected welfare services to the poorest while only targeting unnecessary public sector spending. Given that the World Bank's primary goal was and still is to reduce global poverty, its leadership thus argued that SAPs were crucial to achieving this mission in the long run (Konadu-Agyemang 470).

In reality, however, the results of these programs—primarily concentrated in Africa during the early years—were far more mixed. In Ghana, for example, SAPs seem to have succeeded in restoring economic growth to between 5-6% in the first seven years after their implementation while cutting inflation by around 75%. Unfortunately, the country's public debt also quadrupled, rising from $1.398 billion in 1980 to $5.874 billion in 1995. Moreover, socioeconomic disparities actually increased, with rural areas coming to house a far greater share of the poor than before (Konadu-Agyemang 474-475). In short, though SAPs certainly brought significant benefits, their effects were far less rosy than proponents had initially predicted.

Growing Criticisms Amid Rapid Program Expansion

Despite a mounting wave of criticisms during the late 1980s, Structural Adjustment Programs only became more and more prevalent as the next decade unfolded. When financial crises spread across Southeast Asia in the late 1990s, SAPs were seen as the solution to restore faith across some of the region's largest emerging markets. Given these developments, a growing body of literature developed examining and attempting to quantify the effects of these programs on a variety of different factors.

The programs' harshest critics argued that Structural Adjustment Programs were actually counterproductive, increasing poverty rates instead of providing sustainable economic growth for a country's citizens. An analysis of more than 80 developing countries that received at least one conditional loan from the IMF between 1980-2005 found that these programs had minimal if not negative effects on reducing major poverty indicators. Worse, the study found a clear positive relationship between the Structural Adjustment Programs and rising inequality as reflected by the GINI coefficient (Oberdabernig). However, it is quite difficult to draw overarching conclusions from such data. The countries that accept SAPs are frequently teetering on total economic and political collapse and could well have performed significantly worse without the intervention of the international community. Even if Structural Adjustment Programs do not bring a country's economic performance fully in line with similar countries, they can still have significant benefits if improving it from a far lower base. Clearly, the economic effect of these programs is still very much open to debate..

However, perhaps the most controversial aspect of Structural Adjustment Programs is the resentment they can breed among citizens in affected countries. Addressing the IMF's role in the programs, Paul Volcker noted that "When the Fund consults with a poor and weak country, the country gets in line. When it consults with a big and strong country, the Fund gets in line (Goldstein)." In effect, because industrialized nations control the voting shares of both Bretton Woods institutions, they can avoid the very same structural reforms they force upon developing nations. Critics argue that the conditionality in turn represents a major violation of sovereignty. Moreover, this overreach can be counterproductive; by building a groundswell of resentment, SAPs can give rise to populist and authoritarian movements that undermine the reforms before they ever have a chance of succeeding.

In fact, Louisiana State University's M. Abouharb concluded after a global comparative analysis that SAPs worsen human rights violations. "Torture, political imprisonment, extra-judicial killing, and disappearances" were all statistically likely to increase in the first three years after countries accepted conditional loans (Abouharb). These findings are particularly disturbing given that SAPs are meant to establish and strengthen liberal institutions that respect the rule of law. Nonetheless, it is once again difficult to draw sweeping conclusions from these results given that it is impossible to know what trend the countries would have followed had they not received aid.

Thus, the debate over Structural Adjustment Programs continues to remain highly charged, both from economic and political perspectives. Though few economists would disagree that the structural reforms are necessary for an economy to achieve its full potential, many harbor significant concerns about the pace at which countries are forced to make these changes. Though SAPs are likely here to stay, it remains to be seen if they should be.

II. World Bank Involvement

The World Bank has been involved with Structural Adjustment Programs since they were first thought up shortly after the creation of the Bretton Woods Institutions. Conditional loans were a central tenet of both IMF and World Bank policy throughout the institution's' first decades of existence. However, it was not until the early 1980s that the term Structural Adjustment Program came into common usage ("Structural Adjustment Programmes (SAPs)"). With many emerging markets during this time periodically struggling under the weight of severe economic crises, SAPs quickly became widespread. Frequently the programs were seen as a near-panacea for a nation's problems and were heavily promoted by several generations of IMF and World Bank leadership.

IMF vs. World Bank: Is there a Difference?

Though both Bretton Woods Institutions play very active roles in structural adjustment and frequently collaborate on larger projects, there are nonetheless notable differences between the two. The International Monetary fund is chiefly focused on providing assistance to countries facing temporary liquidity crises—in short, countries that are struggling to come up with the immediate loans needed to pay their bills. These situations are frequently generated by trade and investment imbalances. When the global economy hits a temporary bump, investors are quick to withdraw their money from emerging markets seen as more risky, leaving local companies and governments scrambling to pay bills to foreign creditors. The IMF then steps in as a lender of last resort, given that the countries can find no other source of funding. These loans are meant to be relatively short term, with maturities ranging from 2 to 7 years. More importantly, countries need to prove that their crisis is one of liquidity rather than solvency. In other words, the country does not have cash in its accounts to pay current bills, but it does have assets that it can eventually convert to cash and pay off its debts. The Fund's SAPs will charge the debtor country a low interest rate, but will add on a broad range of reforms as a condition of the loan. If these reforms are not met, the funding and any hope of future loans will be cut off ("Factsheet -- IMF Lending").

In contrast, structural adjustment as spearheaded by the World Bank operates in a different fashion. The group provides conditional loans for specific projects rather than to the government's general fund. For example, after the collapse of the Soviet Union, the World Bank provided conditional loans to the new Russian government in 1997 in order to fund regional infrastructure improvements and finance critical imports to help modernize the country's economy (Ingram). In exchange, the Russian government pledged to speed up privatization of state-owned firms, improve the transparency of its taxation system, and reduce trade and price controls. Thus, though the loan conditions may be similar, World Bank Structural Adjustment Programs go beyond the IMF's bailouts and assist developing countries in funding major projects.

Within the overall World Bank Group, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) take the lead on nationwide development projects throughout the emerging world. Whereas the IBRD focuses on creditworthy nations, the IDA provides interest-free loans to the poorest sovereign governments ("About Home"). Structural Adjustment Programs across the two organizations can vary significantly with the level of a country's development, but their overarching goals of encouraging liberalization and increasing global competitiveness remain the same.

Recent Developments: SAPs in all but Name

With the term "Structural Adjustment" becoming toxic in many developing countries throughout the last decade, the Bretton Woods Institutions have attempted to respond to the biggest criticisms of these programs. In 1999, the World Bank and IMF introduced a new loan framework called Poverty Reduction Strategy Papers (PSRPs). When a country now applies for a loan, it must provide a clear description of the structural reforms it is willing to enact in addition to a comprehensive plan to measure progress toward these targets and major poverty indicators ("What are PRSPs"). These changes were meant to make structural adjustment a participatory process and counter critics who claimed that SAPs constituted a major violation of the sovereignty of developing countries. Moreover, by involving the affected country in the decision-making process, the World Bank argues that it can achieve more effective results and minimize domestic resentment toward the changes.

Nonetheless, some argue that the policies enacted under PRSPs are essentially SAPs in all but name. They contend that the policy prescriptions advocated for by the IMF and World Bank have changed very little in substance. In this view, the nominal focus on poverty measures is simply meant to cover up the ongoing focus on austerity measures and rapid structural changes (Malaluan). Thus, though the programs have changed somewhat over the last 15 years, structural adjustment continues to remain a very relevant issue to developing nations across the world today.

III. Case Studies

Indonesia and the Tiger Economies

Throughout the early 1990s, the developed world was in the grips of a recession, pushing interest rates to near record lows. With Japan in particular entering a decade of economic stagnation, investors began searching for higher returns in less developed, riskier economies throughout Southeast Asia (Hughes). With vast quantities of investment flowing into these countries, they quickly became engulfed in hot money without enough truly worthwhile projects to invest in. Moreover, the IMF's record of bailing out countries that had suffered from sudden investment bubbles and crashes numbed investors to the risks they were taking (Hughes). Worse, the crony capitalism prevalent at the time throughout these countries exacerbated the situation significantly. When the Federal Reserve began raising interest rates once again, entrenched business interests throughout Southeast Asia pushed governments and central banks to pursue disastrous policies in order to keep the party going (Hughes).

When this bubble finally burst, it spelled disaster for the region. In July 1997 the Thai government ran out of foreign currency reserves it had been using to prop up the value of the baht, forcing it to switch from a fixed exchange rate to a floating rate dictated by the market. What followed was a rapid collapse in the currency's value that decimated the bottom lines of firms that had stayed in Thailand. With investors realizing the full risk to their investments, the dominos began to fall throughout the region. By late 1997, Korea and Indonesia were struck by the same situation as the Thai government, while other countries throughout the region struggled under the weight of economic contagion (Moreno).

However, though the crisis initially began in Thailand, it was Indonesia that bore some of the worst effects of the recession. Toward the end of 1997, the government's debt was downgraded to junk status and interest rates quickly spiked (Raghavan). By October 31, the IMF agreed to provide the government with a loan package that reached more than $40 billion in size ("Timeline of the Panic"). In exchange, the Indonesian government agreed to a broad range of economic reforms including major cuts in government spending and allowing insolvent banks and state owned companies to fail.

Unfortunately, the crisis only continued to worsen in early 1998. By January, Indonesian store shelves were bare of food and other staple products. The Suharto regime responded by slowing down the pace of reforms, causing the IMF to withhold additional funds until its conditions were met. By May 21, the situation was untenable and Suhatro's 31 year reign ended ("Timeline of the Panic").

However, the effects of Indonesia's SAPs were significantly more far-reaching. Instead of strengthening the government, they appear to have actually weakened its institutions. Moreover, the rate of harmful economic practices like deforestation actually increased (Barr). Worse, Indonesia's economy has never again returned to pre-crisis growth rates. Thus, SAPs in Indonesia had enormous effects on the country, dismantling a dictatorship and staving off economic ruin, but also reducing the strength of its institutions.

Egypt and the Arab Spring

After decades of authoritarian regimes asserting their control in numerous Middle Eastern countries, the self-immolation of a Tunisian fruit vendor named Tarek el-Tayeb Mohamed Bouazizi in December of 2010 sparked a revolution within the region. Mohamed Bouazizi lit himself on fire in protest of the unfair confiscation of his wares and the harassment he suffered from the Tunisian municipal office (Fahim). When news of Bouazizi's suicide spread throughout the country, anger consumed the Tunisian people. Riots and demonstrations against the social and political problems that plagued Tunisia broke out throughout the county. The situation became increasingly volatile following the death of Mohamed Bouazizi. Eventually, the intensified demonstrations in the country pushed President Zine El Abidine Ben Ali to step down from his twenty-three year reign of power. People from numerous other Arab and non-Arab countries who noted the success of the Tunisian Revolution decided to stage protests of their own as they tried to emulate similar tactics in hopes of instigating change within their autocratic countries. The Tunisian Revolution became the spark for the wave of protests that spread to almost Arab country known as the Arab Spring ("Sakharov Prize for Freedom of Thought 2011").

As the Arab Spring escalated, the country of Egypt was swept into the revolution. Days of protests forced the resignation of President Hosni Mubarak in February 2011 after Mubarak had ruled Egypt for twenty-nine years ("Arab uprising: Country by country – Egypt"). After the toppling of President Mubarak, Egypt's fragile economic structure was revealed after decades of political stability. The Arab Spring pushed Egypt into a transitional state where the country needed to reform its economic framework and institutions. In order to fund the transitional government, the IMF forced rapid cutbacks in subsidies in exchange for loans. For example, energy subsidies were severely cutback so that the money could be directed toward growth enhancing public investments as well as more effective social protection (Mazarei and Mirzoev).

Unfortunately, the sudden decrease in the Egyptian government's subsidies created problems in other sectors of the country. Bakers in Egypt who were usually reimbursed by the ministry of supply so that they could meet the requirement of selling bread at a cheaper price were experiencing a cut in the subsidies they received. Due to the economic situation, many bakers struggled to make enough to support themselves as well as their families. Social tensions in Egypt heighted, as subsidies comprised of approximately a quarter of Egypt's annual budget. Moreover, the IMF refused to grant Egypt a loan of $4.8 billion dollars in 2013 until the country made further subsidy cuts, trapping the country in a difficult economic pitfall (Kingsley).

Currently, Egypt's government is seemingly headed back towards the direction of an authoritarian government. Even after the huge Arab Spring movement, the country seems to shifting exactly back into its original state four years ago. Many critics point towards the harsh cutbacks in subsidies for the political instability that Egypt has suffered from over the past few years. Although the structural adjustment programs were intended to help Egypt establish a better economic framework that could address problems such as high unemployment, the disparity in the wealth gap, and lack of economic opportunity, sociopolitical tension heightened instead. Although Egypt's SAPs have made some limited progress in terms of improving the business climate and implementing better tax policies, the unfortunate byproduct is the reestablishment of an autocratic government that the Arab Spring intended to remove (Mazarei and Mirzoev).

IV. Conclusion and Questions to Consider

Since their creation, the Bretton Woods Institutions have been integral pieces in the global financial system. Structural adjustment has been and continues to be a key part of the World Bank's development programs. However, there are certainly improvements that can and should be made to the system. With the global economy at its strongest since the Great Recession, now is the perfect time to act.

As you research the topic, consider the following questions:

1. Are structural adjustment programs effective in helping developing countries in economic reform? What was the reasoning in how structural adjustment programs would help reduce poverty and foster economic reform? What could be some possible reasons why structural adjustment programs have shown to cause an increase in socioeconomic disparities within certain developing countries?
2. What measures of success are being evaluated in determining whether or not SAPs are truly effective? Does the evaluation of this criteria serve as a realistic reflection on the effectiveness of SAPs? What are some other possible methods to obtain a more accurate assessment of the effects of SAPs in developing countries?
3. Should the IMF be involved in implementing structural adjustment programs? How could the involvement of the IMF in SAPs possibly be a violation of the sovereignty of nations involved in SAPs? How can this possible violation of sovereignty be avoided while still providing effective aid to the developing countries in need? How can SAPs effect the political scenes of countries they are implemented in? Are SAPs counterproductive? In what ways are they counterproductive?
4. What are the differences in the IMF and the World Bank's involvement concerning loans and structural adjustment programs?

Works Cited

Abouharb, M. Rodwan, and David L. Cingranelli. "The Human Rights Effects of World Bank Structural Adjustment, 1981-2000." *International Studies Quarterly* 50.2 (2006): 233-62. Web.

"About Home." *The World Bank*. The World Bank, n.d. Web. 29 Oct. 2015. <http://www.worldbank.org/en/about>.

"Arab Uprising: Country by Country." *BBC News*. BBC, n.d. Web. 29 Oct. 2015. <http://www.bbc.com/news/world-12482291>.

Barr, Christopher. *Banking on Sustainability: Structural Adjustment and Forestry Reform in Post-Suharto Indonesia.* Rep. N.p.: Center for International Forestry Research, 2001. Print.

Easterly, William. *IMF and World Bank Structural Adjustment Programs and Poverty*. Rep. N.p.: World Bank, 2003. Print.

"Factsheet -- IMF Lending." *International Monetary Fund*. International Monetary Fund, 21 Sept. 2015. Web. 28 Oct. 2015. <http://www.imf.org/external/np/exr/facts/howlend.htm>.

Fahim, Kareem. "Slap to a Man's Pride Set Off Tumult in Tunisia." *The New York Times*. The New York Times, 21 Jan. 2011. Web. 29 Oct. 2015. <http://www.nytimes.com/2011/01/22/world/africa/22sidi.html?_r=2&pagewanted=2&src=twrhp>.

Goldstein, Morris, Timothy F. Geithner, Paul Keating, and Yung Chul Park. *IMF Structural Programs*. Rep. Chicago: U of Chicago, 2003. Print.

Greer, S. "Structural Adjustment Comes to Europe: Lessons for the Eurozone from the Conditionality Debates." *Global Social Policy* 14.1 (2013): 51-71. Web.

Hughes, Helen. *Crony Capitalism and the East Asian Currency and Financial 'Crises'* Rep. N.p.: Centre for Independent Studies, 1999. Print.

Ingram, Gregory K. *Project Performance Assessment Report: Russian Federation*. Rep. no. 25478. Washington DC: World Bank, 2003. Print.

Kingsley, Patrick. "Bakers Become Latest Victims of Egypt Subsidy Cuts." *The Guardian*. The Guardian, 19 Mar. 2013. Web. 28 Oct. 2015. <http://www.theguardian.com/world/2013/mar/19/bakers-egyptian-subsidy-cuts>.

Konadu-Agyemang, Kwadwo. "The Best of Times and the Worst of Times: Structural Adjustment Programs and Uneven Development in Africa: The Case Of Ghana." *The Professional Geographer* 52.3 (2000): 469-83. Web.

Mackell, Austin. "The IMF versus the Arab Spring." *The Guardian*. The Guardian, 25 May 2011. Web. 28 Oct. 2015. <http://www.theguardian.com/commentisfree/2011/may/25/imf-arab-spring-loans-egypt-tunisia>.

Malaluan, Jenina JC, and Shalmali Guttal. *Poverty Reduction Strategy Papers: A Poor Package for Poverty Reduction*. Rep. N.p.: Focus on the Global South, 2003. Print.

Manfreda, Primoz. "10 Reasons for the Arab Spring in 2011." *About News*. About.com, n.d. Web. 29 Oct. 2015. <http://middleeast.about.com/od/humanrightsdemocracy/tp/The-Reasons-For-The-Arab-Spring.htm>.

Mazarei, Adnan, and Tokhir Mirzoev. "Five Years After the Spring." *Finance & Development* 52.2 (2015): n. pag. Web.

Moreno, Ramon. "What Caused East Asia's Financial Crisis?" *Economic Research*. Federal Reserve Bank of San Francisco, 7 Aug. 1998. Web. 28 Oct. 2015. <http://www.frbsf.org/economic-research/publications/economic-letter/1998/august/what-caused-east-asia-financial-crisis/>.

Oberdabernig, Doris A. *The Effects of Structural Adjustment Programs on Poverty and Income Distribution*. Rep. Vienna: Vienna Institute for International Economic Studies, 2010. Print.

"Projects & Operations." *The World Bank*. The World Bank, n.d. Web. 28 Oct. 2015. <http://www.worldbank.org/projects>.

Raghavan, Anita. "Japan Stocks Slide Again On Fears About Stability." *WSJ*. The Wall Street Journal, 23 Dec. 1997. Web. 28 Oct. 2015. <http://www.wsj.com/articles/SB882840058627490500>.

"Resources." *The World Bank*. What Are PRSPs?, n.d. Web. 28 Oct. 2015. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:22283891~menuPK:384209~pagePK:210058~piPK:210062~theSitePK:384201,00.html>.

"Structural Adjustment Programmes (SAPs)." *WHO*. World Health Organization, n.d. Web. 28 Oct. 2015. <http://www.who.int/trade/glossary/story084/en/>.

"Timeline of the Crisis." *Frontline*. PBS, n.d. Web. 28 Oct. 2015. <http://www.pbs.org/wgbh/pages/frontline/shows/crash/etc/cron.html>.

"USAID History." *USAID History*. USAID, n.d. Web. 28 Oct. 2015. <https://www.usaid.gov/who-we-are/usaid-history>.

"What Are PRSPs?" *The World Bank*. The World Bank, n.d. Web. 29 Oct. 2015. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:22283891~menuPK:384209~pagePK:210058~piPK:210062~theSitePK:384201,00.html>.

"What Are SAPs?" *Towson University*. Towson University, n.d. Web. 28 Oct. 2015. <http://wwwnew.towson.edu/polsci/ppp/sp97/imf/POLSAP1.HTM#Historical%20Backdrop%20of>.

Worth, Robert F. "How a Single Match Can Ignite a Revolution." *The New York Times*. The New York Times, 22 Jan. 2011. Web. 29 Oct. 2015. <http://www.nytimes.com/2011/01/23/weekinreview/23worth.html?src=twrh