

ABSTRACT

IMF and World Bank Structural Adjustment Programs (SAPs) include conditional loans granted to developing countries to help them repay their debts while requiring them to undergo specific economic and political reforms. The most common SAP measures include the devaluation of currency, the reduction of public sector size and activities, the removal of subsidies, and the liberalization of trade. While the social impacts of these policies have already been acknowledged and to some degree mitigated, this paper examines their environmental impacts. The various impacts of structural adjustment on the environment are discussed in the framework of four main aspects of SAPs: export promotion, trade liberalization, the shrinking of the state, and increased poverty.

This paper argues that the macroeconomic policies promoted by structural adjustment have several direct and indirect impacts on the environment of borrowing countries. Further, without careful consideration of the environmental impacts, degradation is often the result. However, the fundamentally different perspectives and values on debt and development used by the IMF and World Bank and their critics may explain the differences in their conclusions on adjustment. As the IMF and the World Bank are currently experiencing a shift in the way they interact with borrowing countries to emphasize poverty reduction and country ownership of policies, it is possible that this will allow for more systematic and integrated approaches to addressing debt as well as long-term development. In order to minimize unintended harm to the natural resource base of these countries, economic, social and environmental issues should be addressed together.