The damage done
Aid, death and dogma

Christian Aid
We believe in life before death

Contents

Christian Aid/Penny Tweedie

Above: American rice in a Ghanaian market. Poor countries such as Ghana have been systematically forced by rich countries and international organisations to tear down their protective barriers, leading to a flood of cheap imports and the collapse of local industries

Front cover: Padmavati Reddy, widowed at 25, with her two children Arun Kumar, nine, and daughter Jyotsna, five. Their father Anji, facing huge debts, hanged himself from a drumstick tree in his field in the village of Mallareddey Pelly, 70km outside Hyderabad, on 7 December 2004

Front cover photo: Christian Aid/Richard Smith

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‘Britain has been a whole-hearted supporter of free trade… we remain an unashamed champion of free trade.’

Tony Blair in a speech to the World Trade Organisation, 1998

‘We will end the practice of making aid conditional on sensitive economic policy choices, such as trade liberalisation and privatisation.’

Labour Party manifesto, 2005

The 2005 general election marked a watershed for the development lobby in Britain. All the major political parties for once treated the needs of the world’s poorest people with the seriousness usually reserved for floating voters.

There was even a dedicated ‘World Development Day’ driving the campaign, when the parties competed to display their pro-poor policies. As one commentator said at the time, pushing international development issues to the margins was ‘no longer an option’.

For the Labour party, Tony Blair and Gordon Brown promised a future government more committed than any before to the nuts and bolts of tackling poverty in the developing world – committing themselves to a wish list of policies that campaigners have been promoting for years.

The purpose of this report, while applauding such aspirations, is to point out the scale of the mountain that must be climbed if this rhetoric is to be turned into a working reality. In the vital area of trade, it will involve challenging an orthodoxy that stretches back a quarter of a century – reversing the highly damaging credo which insists developing countries can only work their way out of poverty through radical economic liberalisation.

This is not a dusty debate about economic theory. This is about the lives and livelihoods of millions of the world’s poorest people who have become victims of a ruthless theory.

Research by Christian Aid has uncovered shocking evidence of the damage that has already been done. Women denied employment, turning to prostitution or drug smuggling. Farmers forced out of business, after their governments have been bullied into denying them protection. Other poor farmers forced into such levels of debt and desperation that they commit suicide – by the thousand.

For those wanting to change this dire situation the task is clear – the overthrow of a 25-year liberalisation myth that continues to underpin the whole edifice of development policy. This unique opportunity to ‘Make Poverty History’ must not go begging.

First, the new British government must make its commitment clear by enacting legislation to turn warm words into hard law.

But no British government can deliver on these vital matters alone – they must be pushed through international bodies like the G8 and the European

Union. In 2005, by holding the chair of one and the presidency of the other, Britain is in a unique position to do both. But it must also use its influence at the World Bank and the International Monetary Fund (IMF) to bring about a radical change of direction in those powerful bodies.

Rest assured – the opposition will be stiff. Paul Wolfowitz, George W Bush's former US deputy defence secretary and the man credited with masterminding the Iraq invasion, is now in charge of the World Bank. A fully paid-up member of the neoconservative club of liberalisation enthusiasts, 'Wolfie' got the job despite almost universal uproar from anyone politically left of George W.

The IMF is already controlled by one of the high priestesses of liberalisation. Anne Kruger has been there since the late-1970s and is now its managing director. People with less doctrinaire views have come and gone, but Kruger has remained a constant. In particular, she is associated with a set of policies known as 'structural adjustment' that emerged as the blueprint for development theory in the 1980s and has caused multiple miseries in the decades since.

This report argues that, despite much change in language and some apparent changes in theory and structures, this liberalising worldview still dictates international development thinking. And with its disciples controlling the policy levers this will continue unless their view is robustly opposed.

For instance, the British government still bases many of its aid decisions on whether or not the recipient country has received positive economic assessments from the World Bank and the IMF. Those assessments remain, in turn, largely determined by how far a country has liberalised its economy. British government aid is channelled through its Department for International Development (DFID). But even recent statements from DFID, which make many of the right noises, say that it will continue to base its decisions on IMF assessments. The devil, as the saying goes, is in the detail.

On privatisation in developing countries, again DFID has been saying the right things. 'We will not make our aid conditional on specific policy decisions by partner governments, or attempt to impose policy choices on them (including in sensitive areas such as privatisation or trade liberalisation),' said a policy paper issued in March 2005.

The World Bank, however, shows no sign of reassessing its privatising mantra. In an elegant understatement, the Bank's chief economist recently accepted that there had been some 'irrational exuberance' in pushing the benefits of privatising services in developing countries. But other statements show that it still regards the public ownership of services, most controversially water, as being inherently inefficient – even when faced with local opposition to privatisation from the very poor people who have to pay for it. The problem, says the World Bank, is one of regulation not ownership.

For DFID to deliver on its revisionist vision will require a major shift. One favoured means of giving aid has been by providing 'advisers' to developing-country governments to help them make reforms. This has involved spending millions of pounds on employing British accountants and other 'experts' to carry out this work on DFID's behalf. And where do many of these consultants have their ideological home? In the economics of liberalisation – most blatantly in the case of the unashamedly right-wing Adam Smith Institute.

If Tony Blair or Gordon Brown require any convincing of the need for real and urgent change across all these areas, they need only consult the case studies contained in this report.

In **India** we highlight the plight of thousands of poor farmers in the state of Andhra Pradesh who have been driven to suicide by crippling debt. This debt, we argue, is largely a result of doctrinaire liberalisation policies pursued aggressively by both the national and state governments, under the tutelage of the World Bank and the IMF. We also reveal the extent to which these policies have been actively supported by DFID, not least through its deployment of liberalising consultants. The British government bears its own heavy responsibility in this situation and must take urgent action to prevent any further damage.

In **Ghana** we reveal the machinations surrounding an attempt by the national government to protect some of its farmers from unfair foreign competition. The IMF brought highly effective pressure to bear on the country's government to overturn protectionist policy which had been passed into law by parliament. This, we say, is no less than a subversion of Ghana's democracy – and part of a pattern which has also seen water and petrol prices fall victim to externally imposed liberalising policies. In all cases, the people who suffer most are Ghana's poorest.

In **Jamaica** we show how a continuing round of liberalising policies – pursued internally and imposed by the economic decisions of rich-country governments – have had a damaging impact on the employment prospects of women. Left with few choices, more and more have turned to prostitution and drug smuggling to make a living and feed their families. The issue of drugs, and the violence that accompanies it, has also had serious implications for Britain.

The next six months are crucial for the world's poor people. There is an unprecedented momentum for change, both in the UK and globally, and the British government has a unique opportunity to lead that movement.

On the interconnected issues of aid, debt and trade, there is a chance to rewrite the agenda and to fashion a fairer world. It is an opportunity that will not come again in this generation.

As a first move, however, the government must enact legislation to make good its manifesto commitments, as well as those to its Africa Commission. Both are a long way from existing policies. Changes must be made immediately so that Britain can use its own actions as a lever for change from others.

In pursuit of this aim, Christian Aid calls upon the new British government to:

- amend the 2002 International Development Act to bar UK aid from being tied to the policies of liberalisation or privatisation

- make public all its discussions with the World Bank and the IMF so that progress can be monitored

- state clearly that poor countries have the right to raise tariffs to protect their infant industries.

The first opportunity for the new government to show its credentials comes with the meeting of G8 leaders in Scotland at the beginning of July. The prime minister will be in the chair. Ranged against him will be a formidable array of interests, particularly from the US, whose tactics on past experience will be to do nothing or to try to block reform.

Now is the time to tackle these interests and to force a fundamental change in the relations between the world's richest countries and those struggling to develop.

The PM will undoubtedly have a fight on his hands. The poor people of the world must hope that he has the stomach for it.

1 A policy out of control: 25 years of pain

‘One factor, more than any other, has crippled national economies, increased power and inequality and made millions of people hungry. It is a set of policies called structural adjustment that has been forced on developing countries for more than 20 years by the World Bank, the IMF and western aid agencies.’

The Structural Adjustment Participatory Review International Network 2004[1]

A consensus is born

For a quarter of a century, development policy has been driven by the twin motors of liberalisation and privatisation.

Whether it has been the lowering of trade barriers, deregulation of markets or the selling off of state assets, a freebooting, free-market, neoliberal agenda has been at the forefront of economic and developmental change throughout the world.

Neoliberalism was born in the 1970s, when the ‘golden age’ of post-war growth and social progress in industrialised countries came to an end amid worldwide mass unemployment, stagnating growth and high inflation.

A clutch of neoconservative academics, like Milton Friedman and Alfred Sherman, blamed these crises on the post-war consensus that governments should play a central role in regulating both national and international economic systems. They presented a new economic model built on the idea that the world could be liberated from the era of ‘Big Government’ and protective trade barriers that had been in force since the end of the second world war.

Global corporations and international financial markets, which stood to profit greatly from this ideological charge against the state, threw their full weight behind the new ideas. They sought to extend their own domains via the dismantling of market restrictions in a wide range of industries and services.

By the beginning of the 1980s, these ideas had also found favour in the corridors of the White House, and with the recently elected president, Ronald Reagan. Across the Atlantic, UK Prime Minister Margaret Thatcher was equally enthusiastic. This neoconservative alliance meant the two nations were soon able to spread the word within the World Bank and the International Monetary Fund (IMF), the two international financial institutions (IFIs) that funded development in poorer countries.

With the Soviet Union experiencing the increasing economic difficulties that would eventually lead to its collapse in the 1990s, the ideological backing for central planning and an interventionist role for the state faded away, leaving neoliberalism to dominate.

It all coalesced into the ‘Washington Consensus’ – the belief that only markets free of interference from trade rules or special interests could lift the world out of a recession and deliver the holy grail of growth. In this way, rich nations could lead the poorer ones out of poverty in a mutual exchange of goods and services where everyone found their ‘comparative advantage’. It was a model of a mutually beneficial world in which everyone reaped the reward of doing, making and selling what they did best.

The changes that would be required from old, command-style economies would be enormous. But, in time, the rewards could be great. Short-term transitional pain could be offset against long-term prosperity gain. The World Bank economist Branko Milanovic described the liberalisation promise in the following terms:

'The mainstream view… is that globalisation is a benign force... Its proponents regard globalisation as a *deus ex machina* for many of the problems, such as poverty, illiteracy or inequality, which beset the developing world. The only thing a country has to do is to open up its borders, reduce tariff rates, [and] attract foreign capital, and in a few generations, if not less, the poor will become rich, the illiterate will learn how to read and inequality will vanish as poor countries catch up with the rich.'[2]

Liberalisation in the developing world started in earnest in 1980, when the World Bank began its policy of 'adjustment lending' – that is, loans with strings. From that moment, the Bank and the IMF cracked the whip, making sure they got exactly what they wanted from countries, particularly developing nations, in return for their money.

With 'adjustment lending' came the stark choice: transform your economy or there will be no more foreign aid. It was a threat the poorest countries found hard to resist. At this time they were acutely vulnerable to pressure due to oil price hikes, a collapse in the price of commodities on the international markets and the drying up of international aid and alternative sources from which they could borrow. Combined, these blows meant borrowing from the IMF and the World Bank were the only lifelines available.

Now known as 'conditionality', adjustment lending mechanisms were pursued in various forms by the IMF, the World Bank and several donor governments, including the UK through its Department for International Development (DFID). This was so effective that two-thirds of countries, representing half the world's population, lost firm control over their own economic policy.[3]

In exchange for this much-needed hard cash, governments were forced to agree to a shopping list of economic policies that would transform their countries into free-trading platforms.

Conditionality grew rapidly. In 1980 Kenya was one of the first developing countries to receive a loan under the new terms. Between then and 1998, the IMF and World Bank made no less than 958 adjustment loans.

The policies demanded by the IMF and World Bank were strikingly uniform, even when countries had very different economies. So much so that Kenneth Kaunda, the former president of Zambia, once remarked: 'The IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine.'

The UK government has been an enthusiastic backer of this approach. Back in 1998, Tony Blair was a self-declared 'unashamed' advocate of using free trade to persuade the developing world to adopt the joys of unfettered free market economics.

'Britain has been a whole-hearted supporter of free trade,' he told the World Trade Organisation, '…we remain an unashamed champion of free trade.'

Many of the indebted poorer countries saw this as damaging, but there was little choice. In reality, 'championing free trade' was just a nicer way of forcing the developing world to swallow free-market medicine.

Liberalisation and its handmaiden of conditionality did not, in fact, herald a new dawn of prosperity and growth in Africa – quite the reverse. The disaster was such that the whole experiment is now seen in many quarters as an embarrassing anachronism that should be kicked into the long grass for ever.

To understand why this is the case, it is important to see just how complete – and harmful – the takeover of global economics by the Washington Consensus and its advocates has been.

Structural adjustment – the curious case of the medicine killing the patients

In line with the prevailing neoliberal orthodoxy of the 1980s, structural adjustment programmes (SAPs) demanded economic policies which made export-led growth a priority. Allied to this was a privatising and liberalising agenda designed to oil the wheels of market efficiency.

What this generally meant in practice was that countries went through currency devaluation; removed import/export and price restrictions; freed up the inflow and outflow of foreign capital; deregulated finances so that banks determined interest rates and loans; reduced restrictions to the hiring and firing of workers; privatised government enterprises; balanced budgets; and removed subsidies.

It was, after all, the era when the wrecking ball of 'Reagonomics' and 'Thatcherism' was being aimed at societies in the US and UK, as the respective governments sought to balance their budgets and eliminate state subsidies.

As part of their structural adjustment, developing countries were encouraged to prioritise the production and export of primary agricultural commodities to earn foreign exchange – 'cash crops' – over production for their own populations' consumption.[4]

Subsistence crops that had been grown in many parts of the developing world had to be eased out in favour of cash crops such as rubber, cotton or coffee. Traditional foodstuffs might have been successful in feeding people but they did not earn the country any money in the export markets.

These policies soon proved to have a disruptive and damaging effect on poor farmers thrown onto the mercy of international markets.

In some countries the impact was immediate and catastrophic. Prices in Mozambique rose 200 per cent across the board in the first year of structural adjustment.[5] In Madagascar, the price of rice, the country's staple food, doubled in the first year of the adjustment programme.[6] The World Bank itself estimated that the value of wages in Africa fell by a quarter between 1980 and 1989.

Broader assessments are no more encouraging. A review of structural adjustment programmes involving the World Bank and civil society organisations in Africa, Asia and Latin America was set up in April 2002. The Structural Adjustment Participatory Review International Network (SAPRIN) report provides a dizzying look into the economic and social abyss into which poorer countries were plunged as a result of these adjustments.

'One factor, more than any other, has crippled national economies, increased power and inequality and made millions of people hungry. It is a set of policies called structural adjustment that has been forced on developing countries for more than 20 years by the World Bank, the IMF and western aid agencies,' said SAPRIN.[7]

It concluded that, for poor countries in the mid-1980s, trade liberalisation resulted in an increase in trade and current-account deficits, causing higher levels of foreign debt. Declining terms of trade exacerbated the situation, meaning that more foreign exchange was required to purchase the same amount of imports. In many countries the benefits of export growth went to transnational corporations to the detriment of domestic producers.

‘Country after country,’ said SAPRIN, ‘has been compelled, regardless of circumstances, to adopt “one size fits all” economic strategies that expose the world’s most vulnerable peoples and weakest economies to the full force of the global market place [that are] dominated by the most powerful and richest economies and corporations.’

In several cases, SAPRIN added, key manufacturing activities suffered from indiscriminate import liberalisation that led to local markets being flooded with cheaper foreign goods. This provoked a reduction in output, bankruptcy of enterprises and job losses.

SAPRIN’s joint studies showed that: ‘Import liberalisation can destroy domestic productive capacity and reduce the purchasing power of large segments of society, thereby overriding presumed consumer benefits from the opening up of trade.

‘Export-led growth has not become a driving force in the countries reviewed, and foreign-debt levels have remained high or have increased.’[8]

Several studies which have examined macro-economic policies from 1980 have shown beyond doubt that even on their favourite terrain of growth, the neoliberals and their SAP policies have failed.

In the 20 years prior to 1980, the median average growth in developing countries was 2.5 per cent. But in the next two decades of enforced liberalisation, the level of growth was precisely 0.0 per cent, according to a World Bank study.[9]

As William Easterly, a World Bank economist, wrote in 2001: ‘Developing country growth should have increased instead of decreased according to the standard growth regression determinants. The stagnation seems to represent a disappointing outcome to the movement towards the “Washington Consensus” by developing countries.’[10]

And the poorer the country, the more pronounced its slump. According to the US-based Centre for Economic and Social Policy Research, the very poorest countries (which are defined as having a per capita GDP of between US$350 and US$1,121) went from an annual growth rate between 1960 and 1980 of 1.9 per cent to an actual decline of 0.5 per cent between 1980 and 2000.

The poorest, or least developed, countries – already highly exposed to international trade – have experienced the slowest rates of growth, with sub-Saharan Africa faring worst of all. Since 2000, for example, average economic growth rates in sub-Saharan Africa have fallen to half that predicted by the World Bank.[11]

East and south Asia have done better, but without the strong performance of China and India, average growth rates across these regions and the developing world as a whole would have been significantly lower.[12] Overall, many economists now concede that the relationship between liberalisation and growth is uncertain at best.

According to the Center for Economic and Policy Research, the lack of growth is mirrored by other key economic and social indicators. When compared to the 20 years up to 1980, increases in life expectancy, infant and child mortality, education and literacy levels all slowed down in the 20-year period ending in 2000.

Given that the years between 1960 and 1980 witnessed the high point of protectionist import substitution policies with all their trade barriers, the neoliberal argument that only free trade will increase growth and improve other social indicators seems particularly hollow. Indeed, as the World Bank’s Branko Milanovic said: ‘The last two decades… are, in terms of overall growth and income convergence, vastly less successful than the preceding two decades.’

This may seem an arcane argument where economists loftily dispute matters on the head of a pin. Unfortunately, imposing liberalisation on poor countries has had grave consequences.

As SAPRIN put it: 'The intransigence of international policymakers as they continue their prescription of structural adjustment policies is expanding poverty, inequality and insecurity around the world. These polarising measures, extremist movements and de-legitimising democratic political systems are in turn increasing tensions among different social strata… Their effects, particularly on the poor, are so profound and pervasive that no amount of targeted social investments can begin to address the social crises that they have engendered.'

The rhetoric changes

By the end of the 1990s, SAPs and their effects had become so notorious amongst civil society organisations and the developing world that even the international financial institutions recognised they had to go.

So in 1999, adjustment lending was formally killed off to be replaced by a two-tier strategy.

The theory was that the World Bank, the IMF and other international donors would first work with low-income borrowing governments and citizens to shape a poverty reduction strategy paper (PRSP). These, as the name suggests, were aimed at reducing poverty by allocating funds to areas identified by local people and governments.

Then, if the IMF endorsed the PRSP it would extend a poverty reduction and growth facility (PRGF) to the country making it eligible for foreign loans, grants and debt relief. Similarly, the World Bank would make funds available through its poverty reduction support credit (PRSC).

On paper, this was progress: it allowed the country a significant say in how poverty was to be tackled. In development jargon, it offered the recipient nation 'ownership' of poverty plans, as opposed to 'conditionality' which imposed a pre-ordained set of policies.

However, the reality has been very different. Evidence shows that the IMF has retained the upper hand in economic policymaking by simply ignoring PRSPs altogether. One study found that in the vast majority of cases (16 out of 20 by March 2003)[13] the IMF wrote its PRGF prior to any discussions or participation with the developing country in question. If these IMF policies on which the PRGF were based were benign and pro-poor there would not have been a problem (beyond a question of democratic propriety). But in reality, the PRGF conditions frequently follow standard prescriptions of liberalisation and deregulation, with little attempt to link these to poverty reduction.

Research by the Irish agency Trocaire concluded that: 'The macroeconomic framework in the country case studies has been uniformly drawn from a pre-existing PRGF.'[14]

If this were not bad enough, when PRSPs do come first and are drawn on by the IMF to structure a loan, they tend to favour yet more liberalisation.

A study in Ghana in 2000 concluded that: 'The rhetoric regarding the PRS initiative sounds wonderful: PRSPs not only encourage participatory, national policy-making, but also creates a framework for debt relief and poverty reduction [especially for highly indebted poor countries].

'However,' it continued, 'this rhetoric is a misrepresentation, a whitewash or cover up of the truth. Experience in numerous PRSP countries shows that SAPs are not being transformed and that, in many ways, participation in PRSPs is engineering consent for structural adjustment policies.'[15]

For many, then, this new initiative was the same medicine from a different bottle.

The IMF was not the only organisation to find a way round these poverty-reduction-friendly strategies. The World Bank had its own instrument that ensured the policies which governments chose apparently independently, matched the Bank's vision of 'correct' economics. At the same time as structural adjustment was being phased out, the bank was hatching its country policy and institutional assessments (CPIAs).

In essence, the CPIA is the World Bank's secret performance rating to assess and rank all 81 countries eligible for its long-term, low-interest loans each year.[16] The CPIA 'trumps' the PRSP as, no matter how good the PRSP, the amount of money a country receives depends on how high a score they get in the CPIA. It also determines how much debt a country is allowed to accumulate, which in turn determines how much it is allowed to borrow.

There are 20 different criteria, ranging from quality of education to level of inflation. Trade liberalisation is one criterion, with countries being defined as performing well if they have average tariffs of ten per cent or less. Twenty per cent of the CPIA score depends on how liberalised a country's trade regime is.[17]

The World Bank justifies the CPIA on the grounds that it evaluates whether a country has a suitable policy and institutional framework for using development assistance to contribute to poverty reduction. Staff use the CPIA to determine how much a country is eligible to borrow. Countries that rate highly on the CPIA access nearly five times as much funding from the Bank as countries that rated poorly.[18]

For a low-income country dependent on funds from the World Bank for a large part of its budget, the choice is clear: the more it conforms to CPIA criteria, the more money it receives. The criteria don't distinguish between countries – it's assumed that 'good policy' is the same everywhere. One-size-fits-all all over again.

The Africa Commission and the UK government

In 2005, the British Prime Minister's rhetoric changed significantly. In a 180-degree swivel, he turned years of neoliberal dogma on its head by signing up to the recommendations of the Africa Commission, which he had established the year before.

Together with a rethink on conditionality and a review of its stance on Economic Partnership Agreements (EPAs), there have been signs of a real swing in the official British line on enforced liberalisation.

Generally, the talk is now of 'partnership', of 'country-owned' economic and social policies, and of the importance of 'sequencing' the timetabling of reforms to ensure the infrastructure is strong enough to cope with liberalising measures.

In February 2005, DFID released a policy paper on rethinking conditionality. Here it explicitly states: 'We will not make our aid conditional on specific policy decisions by partner governments, or attempt to impose policy choices on them (including sensitive areas such as privatisation or trade liberalisation).'

The theme was reprised in the Africa Commission's recommendations, which again stated that liberalisation should not be forced on African countries and that they should be allowed to choose when to open their markets based on their own development and poverty reduction plans:

'In making development a priority in trade talks… liberalisation must not be forced on Africa through trade or aid conditions and must be done in a way that reduces reciprocal demands to a minimum.'

It goes even further, acknowledging that, in some instances, protection of fledgling economies is a good thing, not the evil it has been portrayed as by the Washington Consensus:

'…the Asian Tiger economies show us that a mix of openness and protection provides a managed path to global integration.'[19]

Then hot on the heels of the Africa Commission report came DFID's announcement that a particularly vicious current example of forced liberalisation was to be rethought as well. The UK argued that developing countries should no longer be forced to open their own markets in return for maintaining their existing preferential access to European markets.

It said the European Union (EU) should take a 'non-mercantilist' approach to the negotiations on EPAs between the EU and former colonies in Africa, the Caribbean and the Pacific, and not pursue any offensive interests.

It added: 'Developing countries can benefit from liberalisation in the long run, provided they have the economic capacity and infrastructure they need to trade competitively. However, without the capacity or the right conditions, trade liberalisation can be harmful.

'Each ACP [Africa, Caribbean, Pacific] regional group should make its own decisions on the timing, pace, sequencing, and product coverage of market opening in line with individual countries' national development plans and poverty reduction strategies. Regional groups should have the flexibility to move towards more open markets along a non-linear path if necessary. We will not force trade liberalisation on developing countries either through trade negotiations or aid conditionality.'[20]

This is worth repeating: '…we will not force trade liberalisation on developing countries either through trade or conditionality.' It couldn't be any clearer.

This sounds like excellent news for the world's poor people. It amounts to a gigantic admission that British government policies in this regard were wrong-headed and harmful, and that they will not be repeated. A public apology might not go amiss, though it would probably come as scant comfort to the families of dead farmers in the Indian state of Andhra Pradesh (see next chapter). Yet, if this line is adhered to it may prevent more tragedies in the future.

But of course there's always a 'but'...

The trouble is that neoliberalism is so deeply ingrained in the development process, it cannot simply be ignored. What the Africa Commission and the two revisionist DFID statements have in common is their reliance on the 'poverty reduction' process.

While poverty reduction strategies are intrinsically a good idea, in practice there are serious problems with them because of the way in which they buttress liberalising remedies.

The first issue is that in the unlikely event the host country comes up with a poverty plan that the IFIs do not like, they have devised simple strategies to ignore them.

As we have seen, the IMF tends to ignore poverty reduction strategies to such a degree that it often writes terms for its poverty reduction and growth facility before it has even seen a country's poverty strategy. The World Bank also tends to discard poverty strategies by relying on its own secret CPIAs.

But the truth is that these big international donors do not really need to ignore poverty strategies. Many poor countries are so desperate for aid and debt relief that they are prepared to take the measures necessary to get this money. They know, for instance, that unless they present a full menu of liberalising and privatising policies, no donor will visit the table. At the end of the day, it is the IMF which acts as final arbitrator for creditors: what it says – and believes – is what goes.

So, in a sense, the UK government's new piety comes too late: the damage has largely been done. Poor countries have been so well schooled in the language of liberalisation that they can safely be left on their own to repeat the old Washington Consensus catechisms that they know are expected of them.

To break the link between aid, debt and liberalisation – what we call conditionality – will involve nothing less than a complete redrafting of the terms of the last quarter of a century's policies. Having changed its own position, the British government's real task will be to persuade the IMF and World Bank to pull back from liberalisation.

This is particularly important due to the current trend in development of moving towards a multi-donor support system. Instead of one country at a time negotiating separate aid agreements with poor countries, the donors now tend to get together with the IMF and World Bank to harmonise their aid.

This cuts administrative costs and reduces complexity, but the danger is that the assumptions on aid-giving remain those of the big boys – the IMF and World Bank. Governments like that of the UK, whatever their new views on the wrong-headedness of conditionality, become subsumed in the more powerful views of the international organisations.

This risk becomes particularly acute when you get into the detail of how these multi-donor support systems actually function. It's a complex field, but one of the biggest threats to the UK's new-found views on conditionality lies in the trigger mechanisms of the process. In essence, when all the international countries and organisations have come to an agreement with a poor country on the aid needed, the IMF imposes a set of criteria which the host country has to fulfil in order to receive tranches of money.

It is here that old-fashioned conditionality is alive and kicking… and the UK, by giving up control of the trigger mechanisms to the IMF, is complicit in the conditionalities that arise.

However, it is only fair to applaud one of the more significant aspirations of the new-look UK development policy. In its conditionality paper, DFID did say explicitly that there might be cases where it would continue with giving aid to a country even if the IMF declared that country to be 'off track' in its liberalising reforms. Although how the UK could actually do this, mired as it currently is in the swamp of IMF and World Bank conditionality, is hard to see.

If the British government is to convince the developing world that it is serious in its new language, it must first enact all the necessary changes to the way in which it currently distributes aid. It must then use its influence within the World Bank and the IMF to disentangle all the threads of neoliberalism. This mission should be pursued with the same vigour with which it once pursued the liberalisation agenda. Only then can recent statements be taken seriously and become the new reality.

2 India: fields of despair

‘Something is terribly wrong in the countryside…’

MS Swaminathan, chairman of the National Commission of Farmers

On the morning of 2 February 2005, 32-year-old Lachi Reddy seemed no more depressed than usual. He had been worried for months about the mounting debts on his three acres of potatoes and, his wife Bujjamma believed, today was no exception.

The harvest was due and Lachi knew he was in the wrong crop. Seed potatoes were expensive and as they grew, they were thirsty for the water and fertiliser needed to force the dry, red earth round his village to yield a viable crop.

Ever since he had begun farming a decade ago, these extras had cost more and more. So Lachi had borrowed. First from the banks and when they said no, from the private lenders. There were plenty of those and they rarely said no. But their yes came at a cost – in Lachi’s case, 36 per cent interest on the repayments.

But even with all the latest pesticides and chemicals to throw at the land, making a living had been a huge struggle for Lachi. Over the years, sales hadn’t come close to covering costs.

Then, two years ago, the situation deteriorated rapidly. The last of the surface water evaporated in the storage tanks around his village in the Medak area, as it fell victim to the severe drought covering much of the Deccan Plain in the Indian state of Andhra Pradesh.

Without water there was no hope so Lachi did what all his neighbours had done, and borrowed even more money – 80,000 rupees (£970) – to dig a bore well.

It was a gamble. There might not be any water where he dug, and the men from the agricultural ministry who could tell him where to dig hadn’t been seen for years. But unless Lachi spent the money, he would never find out. The alternative – doing nothing – invited certain failure. Besides, he might strike it lucky.

He did. There was water where he dug. Only now his troubles lay elsewhere. The price of potatoes at market had fallen too low even to repay the interest on the loan for the well, let alone all his other debts which now amounted to some 170,000 rupees (£2,060).

So, two years ago, Lachi had decided he would have to change to another crop. Sugar cane was the answer, he thought.

It seemed a more reliable cash crop than potatoes. And he couldn’t go back to traditional farming. Given his debts, just growing the crops he needed for his own family was no longer an option.

The trouble was that now he didn’t have enough money to buy the cane or the labour to plant it. The banks continued to refuse any more loans, and now even the private lenders were saying no.

The only option left open to this proud man was to go round to his friends and neighbours pleading with them to lend him some money. It is hard to imagine what it took for Lachi to ask this. For the sake of his wife and two young sons, he had to try.

He must have known that everyone in his home village of Raipally was in the same position. He must have realised, therefore, that he would be rebuffed. Perhaps he knew even then that the alternative was far worse.

Christian Aid/John McGhie

Lachi Reddy's widow, Bujjamma, grieves the day after her husband killed himself by swallowing pesticide

So, on that February morning as Lachi looked out at his potatoes waiting to be harvested, he must have realised that his troubles were far more than simply being in the wrong crop.

But we can only surmise what he really thought, because at 10.30am Lachi told his wife that he wanted to get something from the bullock cart. Without anyone seeing him, he went back to his empty hut and swallowed a bottle of Endo Sulfan pesticide.

With this inside him, he returned to Bujjamma. He told her once more about the potatoes and the debt and the sugar cane and the water, and how he believed that he could not care for his family.

While talking, he collapsed. He never regained consciousness and died later that day in the local hospital.

His mother, Ningamma, said the next day: 'He was worrying about the loan, but we told him not to worry about it and that we could repay the loan by working hard. But he didn't even listen to us. He took his own life.'

Andhra Pradesh: dying of debt

Lachi Reddy is not alone. In villages across Andhra Pradesh, where 11 million farmers live, suicide has become all too common.

In 2004, 2,115 of the state's farmers took their own lives. This represents more than 40 people a week – or nearly six a day. Since 1998, 4,378 farmers have committed suicide in Andhra Pradesh. In the three years prior to that there were several hundred more.

By any scale this is an epidemic – yet there has been scant mention of it anywhere outside India.[21]

A shocking snapshot of the current agricultural crisis, however, is provided by headlines from a local newspaper over one five-day period in early 2005.

'Cotton Farms Turn to Killing Fields'
Deccan Chronicle, 4 February 2005

'Landowners Beg in the City'
Deccan Chronicle, 7 February 2005

'Three Farmers End Lives'
Deccan Chronicle, 8 February 2005

Suicide survey

State	1998	1999	2000	2001	2002	2003	2004	2005	Year Unknown	Total
Andhra Pradesh	221	200	276	372	446	588	2,115	140 (up to end of March)	20	4,378

A major new survey is being conducted on farmer suicides in India.[22] (Its results for Andhra Pradesh can be seen above.) It reveals that throughout the country some 22,000 men and women have been driven to such despair in the past decade that they have ended their own lives.

The causes of any suicide are always complex. Many areas of India have been afflicted by terrible droughts which have exacerbated existing problems. It is also true that farmers from all around the world have always taken their own lives for a variety of reasons.

But in Andhra Pradesh the numbers of such deaths rose sharply from the mid-1990s (see above). In this report we argue that this rise has been caused by an agricultural crisis in the state which has provoked a crisis of personal debt and misery among farmers. This, in turn, has resulted in an escalation of suicides.

We will show how this agrarian crisis was caused by a zealous programme of liberalisation and privatisation brought about by the World Bank, and the International Monetary Fund – with the active support of the UK government.

Christian Aid's findings correspond closely to those of the Commission on Farmers' Welfare set up by Andhra Pradesh's government. In 2005 it concluded that agriculture in the state was in 'an advanced stage of crisis', the most extreme manifestation of which was the rise in suicides among farmers.

Chaired by Professor Jayati Ghosh of Jawaharlal Nehru University (JNU), the commission concluded that the causes of the problems related directly to public policy and economic strategy at both a local and national level.

There is widespread agreement among academics that the main consequence of Andhra Pradesh's agricultural malaise was severe personal debt for farmers.[23] This is a view shared by Professor Ghosh's commission, which stated that the heavy burden of personal debt among farmers is the 'most acute proximate cause of agrarian distress'.

As Utsa Patnaik, an economics professor at JNU, says: 'There may be various reasons for the farmers' suicides, but the most important one seems to be the very high level of indebtedness… The question is: why should there have been this phenomenon leading to high indebtedness…?'[24]

There are solid institutional reasons why so many farmers have been plunged into debt. They can be summarised as a:

- steep rise in the costs of inputs
- volatility, and often a fall, in the price of produce
- lack of proper agricultural advice
- lack of access to formal lines of credit.

In plain language this means that farmers like Lachi Reddy have been forced to pay more for their seeds, fertilisers, pesticides, water and power. And at the same time, the price they've received for their crops at market has swung wildly and even fallen. Round this off with an inability to get bank loans and a sudden absence of proper advice from the state government on what crops to grow where, and farmers are on the fast track to ruin.

The reasons why costs have gone up and prices down while the agricultural infrastructure has largely disappeared can be ascribed to the liberalising and privatising policies adopted by the former government of Andhra Pradesh (it was voted out of office in May 2004). It was aided and abetted by the IMF, the World Bank and the UK's DFID.

As the Commission on Farmers' Welfare put it, economic policy in India at central and state level 'has systematically reduced the protection afforded to farmers and exposed them to market volatility and private profiteering without adequate regulation; has reduced critical forms of public expenditure and has destroyed important public institutions, and did not adequately generate other non-agricultural economic activities.

'While this is a generalised rural crisis, the burden has fallen disproportionately on small and marginal farmers, tenant farmers and rural labourers, particularly those in drier tracts. The most extreme manifestation of the crisis is in the suicides by farmers.'

In many senses, this human disaster represents the nadir of the policies which rolled out two decades ago from the Washington Consensus,[25] washing up on Indian shores as liberalisation driven by the IMF and World Bank.

While in Whitehall, the rhetoric is changing over whether liberalisation is the one true path out of poverty,[26] what has happened in Andhra Pradesh underlines the fact that this change is long overdue. It serves as an object lesson to liberalisers on what can happen when the wrong medicine is prescribed.

The storm gathers: India and global liberalisation

The factors which caused Andhra Pradesh's farming crisis can be divided into those that affected India as a whole when it took out IMF and World Bank loans in 1991, and the particular policies pursued by the state's former government in partnership with international donors such as DFID.

First, there are the national, or macro, factors.

The IMF and World Bank

The current agrarian crisis in Andhra Pradesh arguably has its origins in India's deep fiscal problems of the late 1980s.

By 1991, India's foreign exchange reserves had nosedived. Non-resident Indians led the flight while at home inflation soared. Public and current account deficits were matched by foreign debt and India's international credit rating had slipped dramatically. A lack of confidence by foreign investors coincided with a political crisis. Two governments fell within five months and, to cap it all, former prime minister Rajiv Gandhi was assassinated.

Into this mess stepped the IMF and the World Bank in July 1991, promising economic stabilisation in return for structural adjustment.

The measures decided on by a prosperous Indian elite hungry for inclusion in the new global vision were many and varied. What is certainly true is that most of the macroeconomic measures which began in 1991 contributed significantly to the scale of farmers' debts.

P Sainath/The Hindu

Pedda Narsamma, wife of groundnut farmer

Committed suicide: 1 December 2002

Pedda Narsamma (in portrait) was the bond that held this poor dalit family together. The strain of doing most of the work herself, including running their rather poor-quality five acres, was already great. Health and wedding expenses added to her burden. Her husband Madhiletti (seated right) and extended family.

Pandhi Parthi village, Anantapur district, Andhra Pradesh

Devaluation

One national measure which had an immediate effect was the devaluation of the rupee by some 25 per cent. This meant that Indian crops were suddenly cheaper, making them very attractive on the world market, and led to an export drive.

Farmers were encouraged to shift from growing a mixed bag of traditional subsistence crops to concentrating on single cash crops. This was fine while it lasted, but dangerous in the longer term as farmers found themselves competing in a volatile market.

According to Indian environmentalist Dr Vandana Shiva, the total area of the country's farmland growing traditional grains declined by 18 per cent in the decade after 1990-91. Meanwhile, areas growing the non-food crops of cotton and sugar cane increased by 25 per cent and ten per cent respectively. Between 1998 and 2001, food production shrunk by 12.8 million tonnes to 196.1 million tonnes.[27]

This move to non-food cash crops had another effect which was to increase hugely the amount of water, pesticides and fertiliser required to grow them. In turn, this had a significant impact on farmers' debt, forcing them to borrow money for wells and other inputs.

What has still not been truly brought to light is the effect this export-orientated market has had on India's ability to feed itself. As exports of basic foodstuffs such as rice and wheat increased, stocks for domestic consumption – to feed the poor and to reserve in case of famine – have plunged. In September 1996, for example, there was a fall of ten million tonnes in reserve food and there have been increasing reports of hunger deaths.[28]

Trade liberalisation

Another IMF-led measure which had a major impact on farmers in Andhra Pradesh and throughout India was the phased withdrawal of quotas, duties and tariffs on food imports.

By 2001, India had completely removed quantitative restrictions from nearly 1,500 items – including food. Oilseed production was particularly badly hit by cheap imports. By 1995, Indian production had risen to around 22 million tonnes and the country had become a net exporter of oilseed products.

But when oilseed was liberalised and duties removed, the domestic market crashed as highly subsidised foreign palm oil flooded into India. The net result was that, by 1997, the country had reverted to being an importer, spending US$1 billion on cheap foreign oils.[29]

Structural adjustment

With accession to the World Trade Organisation (WTO) in 1995, India was a fully paid-up member of the liberalising club of nations. The thrust of the reforms under the World Bank's structural adjustment programmes (SAPs) began to bite.

A World Bank memorandum to the Indian government, subsequently leaked to the public, entitled 'Trade Reforms in India' demonstrates the vast extent of SAPs.[30] It lists the following recommendations:

- devaluation
- new industrial policy to allow foreign investment
- opening up more areas for private domestic and foreign investment
- partial disinvestment of government equity in profitable public sector enterprises
- sick public sector units to be closed down
- reforms of the financial sector by allowing in private banks
- liberal import and export policy
- cuts in social sector spending to reduce fiscal deficit
- amendments to existing laws and regulations to support reforms
- market-friendly approach and less government intervention
- liberalisation of the banking system
- tax reforms leading to greater share of indirect taxes.

This constitutes the usual fundamentalist prescription for liberalisation that envisages a withdrawal of the state from key industrial, economic and agricultural sectors to be replaced by private corporations. In an unfettered market, comparative advantage will be seized by those who have the initiative. And, as the saying goes, the devil take the hindmost.

An important part of this shrinking of the state is the withdrawal of state subsidies. From the purist perspective, subsidies distort markets and cannot be tolerated. They prop up the weak, offer unfair shelter to the inefficient and hinder the search for the golden product in which the country or region will have a 'natural' comparative advantage.

It was not surprising, then, that the 1990s saw large falls in fertiliser subsidies. Fertiliser had benefited from considerable national-government subsidies ever since the 1960s when the 'green revolution' in food production earmarked it as a crucial component in the chemical-led assault on hunger.

The percentage by which fertiliser was subsidised rose steadily to peak in the mid-1980s, but in the late-1990s it began to fall away, declining by a dramatic two-thirds by 2000.[31]

In 1994, for example, a 50kg bag of urea cost 138 rupees, whereas in 2004 it cost 251 rupees – a rise of 82 per cent. Similarly, diammonium phosphate went up 108 per cent from 234 rupees to 486 rupees, while muriate of potash rose an astonishing 283 per cent from 231 rupees to 885 rupees.[32]

What did all this mean to farmers in Andhra Pradesh? It was yet another increase in costs – almost an exponential one given the increased use of fertiliser that a switch to cash crops entailed.

Banking

Changes to the banking system provide another example of how the push for liberalisation helped give farmers an extra shove down the spiral of debt.

India's main banks were nationalised in 1969, and one of the new tasks they were ordered to undertake was to prioritise lending to the agrarian sector. Consequently, there were significant increases in interest-rate controls, as well as in resources directed through credit programmes aimed at agriculture and the small-business sector.

But those agriculture-friendly lending policies came to an abrupt end with the Narasimham Committee on Banking. It was set up in 1991 by the government to redress perceived inefficiencies in the banking sector and to pave the way for liberalisation.

Via various redefinitions of what constituted priority lending, Narasimham slowly squeezed credit lines to farmers. According to Professor Ghosh and CP Chandrasekhar from the JNU, credit levels now even fall well below the 18 per cent level prescribed by the committee.[33] According to Andhra Pradesh's 2004 credit plan, the proportion of bank lending to agriculture fell from 43 per cent in 1998 to 26.7 per cent in 2003.

'The formal credit squeeze upon Indian agriculture is now acute,' say Chandrasekhar and Ghosh. 'This has led to severe problems of accessing working capital for cultivators, and has also meant the revival of private money lending in rural areas. Such retrogression has extremely disturbing implications for the future of Indian agriculture.'[34]

Narasimha Reddy, economics professor and Dean of Social Sciences at the University of Hyderabad, points out that the private sector banking reforms which ensued were even more drastic.[35]

'In the 1970s over 200 rural regional banks were created with the specific task of lending to scheduled tribes, low castes and very small farmers,' he says. 'They still exist but their mandate has changed so the target is different and asks to provide loans at commercially viable rates. And now there is a more aggressive recovery policy.'[36]

In summary…
Before looking at Andhra Pradesh's state-level policies, it is worth summarising what effect these nationwide changes had on farmers.

The devaluation of the rupee made exports cheaper and so helped lead a charge into cash crops and away from traditional farming. Some profited from this, but most were hit hard by the vagaries of a market which saw world agricultural commodity prices halve between 1995 and 2001. Others were hit when India dropped duties and other restrictions so that their crop of choice was suddenly left at the mercy of cheap imports.

To get into cash crops, farmers had to pay out considerably more than previously, and so they borrowed. Banking reforms meant that institutional credit was far less available, forcing farmers into the grasp of private lenders. As Christian Aid can confirm, many of these private lenders charge extortionate rates (anything between 36 per cent compound and 100 per cent).[37] They also pursue more aggressive recovery policies – in other words, they will not hesitate to seize land that farmers offer as collateral.

So debt rises, heaping misery on poor farmers to such an extent that many take what they see as the only way out: suicide.

P Sainath/The Hindu

Palla Nagireddy, 60, farmer and marriage broker

Committed suicide: 4 April 2003

His wife Lakshmi Devi (above) is still distraught.

Jambuladhine village, Anantapur district, Andhra Pradesh

A recent study of 40 farmer suicides in the Anantapur district of Andhra Pradesh showed that the average total debt ran at 106,318 rupees (about £1,300) of which around one-quarter was to institutional sources and three-quarters to private lenders.[38] This is a huge amount for farmers who often measure their yearly income in hundreds of pounds.

According to Professor Patnaik at JNU: 'There was a scenario where farmers had gone in for a heavy level of indebtedness and been forced to do so by private money lenders at a high cost due to withdrawal of low-cost institutional lending. At the same time, the input prices went up and output prices crashed. This is a ready-made scenario for agrarian distress.'[39]

Power reforms

In August 2000, three people protesting against electricity reforms in Andhra Pradesh were killed in violent clashes with armed police. This was just one of dozens of demonstrations and strikes that erupted across the state that summer in response to a massive tariff hike.

More than 20,000 people were arrested. Members of the State Assembly went on hunger strike. Consumers refused to pay their electricity bills. A visit by James Wolfensohn, then the World Bank president, to Hyderabad was disrupted by protests, much to the embarrassment of the state government.

Increased electricity prices had been part of an ambitious effort to reform Andhra Pradesh's state-owned electricity board (APSEB). It had been losing money for decades.

When the government expressed a desire to revamp the antiquated power company in 1995, Britain's DFID and the World Bank were quick to step in.[40] Working hand in hand, the donors drew up and jointly funded the far-reaching Power Sector Restructuring Programme. This would see the entire sector handed over to the private sector, total elimination of power subsidies to farmers and annual tariff hikes of 15-20 per cent.

The state government faced a real dilemma. Its longstanding policy of subsidising agricultural electricity users had proven a success. Cheap power was a major factor in allowing farmers to increase production. But farmers' electricity consumption had soared since they started using high-yielding hybrid crops, introduced during the 1960s. The main way to irrigate them was by using electric pumps and bore wells. The cost of subsidising this was becoming unbearable for APSEB.

DFID spent £1.5 million on consultants to advise the government on how to restructure APSEB. Like the World Bank, DFID was convinced that Andhra Pradesh's 11 million farmers had to start paying their way to bring APSEB out of the red.[41]

The UK was firm that the best way to promote 'pro-poor development' was to focus 'its money and attention on the key governance issues of inefficiencies in the public sector and huge subsidies in the parastatal energy sector'.[42] But the move proved controversial. Critics of the reform process argued that it was unfair to pin so much of the blame on farmers, as theft of power and inefficiencies in transmission and distribution were equally problematic.[43]

But with donors united on the need for subsidy cuts and rural metering as the way forward, the government of Andhra Pradesh willingly swallowed their prescription – sweetened by the offer of £138 million in grants from DFID and the World Bank to implement it.

The Electricity Reform Act came into force in February 1999, supported by the World Bank and DFID who have donated £197.2 million towards the project.[44]

Following the deaths and protests of 2000, the government lost its nerve. The reform process stalled. In 2003, the World Bank abandoned the project four years ahead of schedule. Only two out of the four planned phases of reform had been completed. The Bank admitted that it had 'substantially underestimated' the 'complexity of the process' and that there must be 'increased communication and consultation with the farmers to get their acceptance' of any further reforms.[45]

When the new Congress-led coalition government took power in May 2004, free power for farmers was one of its key vote-winning policies.

Andhra Pradesh and the World Bank

If the scene for the liberalisation of agriculture was set at the macro level by the Indian government, the IMF and World Bank, many of the particular circumstances for Andhra Pradesh's farmers were defined by decisions at state level.

But whereas the reforms at the national level were crisis-driven, Andhra Pradesh's reforms were driven by a state government that was only too eager to embrace liberalisation and privatisation.

During the 1990s, State Chief Minister Chandrababu Naidu's Telegu Desam government was looking for a way to lead Andhra Pradesh into what he saw as a modern economic era of technology and rapid development. Naidu envisaged the state as a hi-tech player in the information revolution. The fact that 70 per cent of the state's economy derived from agriculture was apparently immaterial.

Nicknamed the CEO (chief executive officer) of Andhra Pradesh because of his enthusiasm for business and economic reform, Naidu enthusiastically adopted World Bank policies.

In 1998 Naidu's zeal resulted in the first ever state-level (as opposed to national) agreement with the World Bank – the Andhra Pradesh Economic Restructuring Programme (APERP). This entailed the World Bank giving the state US$830 million in return for a series of structural reforms in local government and industry over the next five years.

To fashion those structural changes, Naidu enlisted the expertise of international business consultancy McKinsey. In January 1999, they came up with a strategy called *Vision 20-20*. It turned out to be a highly controversial blueprint for action. Although many of its aims were laudable – for instance, 'by 2020 every individual in Andhra Pradesh will be able to lead a comfortable life, filled with opportunities to learn, develop skills and earn a livelihood'[46] – it was its means that drew the flak.

Vision 20-20's remedies for agriculture were particularly contentious. It foresaw 30 per cent of the agricultural population – some 20 million people – being shifted into other sectors as the industry became more efficient and better organised.

The new form of agriculture that was posited was essentially a corporate one which saw small farms giving way to larger ones as farmers switched to more mechanised export-led cropping. Markets were to be opened and the private sector invited to take a much larger share in providing agricultural services. Agriculture was to become agribusiness.

Naidu set the ball rolling by making the state withdraw from the agricultural sector, enabling the

P Sainath/The Hindu

Pedda Bhimaiah, 50, cotton farmer

Committed suicide: 21 November 2003

Widow Lakshmamma holds a picture of her dead husband. All her three sons went into bondage in a bid to pay off mounting debt.

Mannanuru village, Mahbubnagar district, Andhra Pradesh

private sector to step in. This could be done actively, via a privatisation programme, and passively by letting state-run organisations wither on the vine.

'The state of Andhra Pradesh had become almost a laboratory for every extreme form of neoliberal experiment,' said Jayati Ghosh and CP Chandrasekhar.

DFID and privatisation

DFID's view of its role in the world is pretty clear. In its own literature, the department describes it thus:

'The Department for International Development is the British government department responsible for promoting development and the reduction of poverty.' Nowhere is this mission pursued with greater vigour than in India. The subcontinent has been far and away the biggest beneficiary of DFID's money, receiving some £764.4 million in the last five years, almost three times more than any other country.[47]

And among all the Indian states, Andhra Pradesh tops DFID's list. The impoverished state has received some £248 million in the last five years, almost a third of the department's total Indian budget.[48] It is the 'flagship focus state'.

In its Andhra Pradesh state strategy paper, DFID says its aim is to work with Indian partners towards ending poverty and realising rights for all.

To a large extent DFID has done – and commendably continues to do – just this. For example, it has given £20.6 million to improve tuberculosis treatment for the poor, and has earmarked more than £45 million for an ambitious programme aimed at raising the number of children participating in primary education.[49] Schemes like the AP Rural Livelihoods Programme and the AP Urban Services for the Poor work in the same way, getting to grips with some of the main problems that beset poor people.

On the other hand, a significant amount of DFID's work in the state has proved far more controversial and appears to be several steps removed from its main task of straightforward poverty alleviation.

Until the UK government's volte-face on conditionality earlier this year (see chapter 1), the main springboards out of poverty as DFID saw it were liberalisation and privatisation.

Some experts are in no doubt as to where this led.

'The crises of suicides are very clearly a result of public policy. And this has been guided by and substantially determined by agencies like DFID. They bring in an attitude towards privatisation as well as specific policies,' said Prof Jayati Ghosh.

Privatisation
In 2001, DFID donated £5.9 million towards the setting-up of Andhra Pradesh's Centre for Good Governance, a kind of thinktank on poverty issues with a special brief on tackling corruption.

Yet not long afterwards, DFID also provided overt (and far more contentious) financial support for Naidu's privatisation programme. A grant of US$3.1 million (£1.65 million) was used to help set up a body called the Implementation Secretariat (IS) whose task was to assess the state's assets, decide which were worth keeping, and either sell, close down or restructure the rest.

P Sainath/The Hindu

Baja Ramesh, 30, sugarcane farmer

Committed suicide: 21 November 2003

Of six borewells he invested in, just one gave Baja Ramesh any water at all. His mother Anjamma (right) and brother Srinivas recall his struggle.

Dhongala Dharmaram village, Medak district, Andhra Pradesh

The IS was sited within Andhra Pradesh's Public Enterprises Department and answered to the most senior civil servant in the department, an Indian Principal Secretary. However, it was afforded considerable freedom within the bureaucracy as it was thought that ordering the Indian civil service to dispense state assets might be risky as not all of them were aboard the privatisation wagon.

As the state's own strategy paper on public sector reform spells out:

'From the experience of the past in India and internationally and work done to date in Andhra Pradesh, the government feels that the existing administrative structure and processes are not conducive to implementing privatisation of public sector enterprises.'

DFID did not operate the IS itself. Instead, it awarded the contract for running the secretariat to the right-wing, free-market fundamentalists from the British-based Adam Smith Institute.

Adam Smith provided a number of its privatisation experts to work at the IS on a consultancy basis at the same time as managing the contracts of the Indian secretariat. These British experts included a lawyer, an IT specialist, a finance person and various other management types.

According to IS insiders we have talked to, these consultants would jet in for a few days – sometimes a couple of weeks – at a time to oversee the privatisation process.

Adam Smith also hired dozens more consultants to carry out the most detailed work required to assess, sell and restructure Andhra Pradesh's state-run assets. Christian Aid has a list of over 80 of these sub-contracted consultants. Most of them are locally-based, one- or two-person operations, but

DFID, restructuring and job losses

While DFID was helping ‘downsize’ thousands of public sector workers, it was also giving Naidu’s reforms a ‘human face’.

Part of a £1.6 million DFID grant for public enterprise reform went to the Social Safety Net Programme (SSNP). Set up in 1999 to help workers after they had been made redundant, some of the money went on redundancy payments but most was for counselling and retraining support.

The programme was innovative and took great steps to provide some comfort to the jobless.

Bharat Bhushan, who was hired by the Adam Smith Institute to work on the SSNP, told Christian Aid: ‘The reforms induced trauma. There have even been suicides among those who lost their jobs. When the spinning mills closed down, a handful of workers committed suicide. One hanged himself.

‘We share the process of bereavement [due to job loss] with them, talk to the family, give career counselling and retraining,’ he added.

But the programme had another purpose which was threatened in late 2003, when DFID said it would pull its funding. According to a letter seen by Christian Aid from a top Andhra Pradesh civil servant under Naidu, the DFID-funded project was pivotal to the success of the privatisation programme to which it gave a human face.

In February 2004, Deepak Kumar Panwar, the principal secretary to the Public Enterprises Department wrote to Charlotte Seymour-Smith, the head of DFID-India, protesting the termination of the UK department’s funding.

In a section entitled ‘The Human Face of Reform’, Mr Panwar wrote: ‘Privatisation cannot proceed in Andhra Pradesh without a strong and innovative social safety net programme for workers based on redundancy payments and counselling and retraining support.’

It continued: ‘Donor support in this area also helps us to emphasise that donor objectives and motives are driven by social concerns as well as by a reform agenda about which many remain suspicious… with fears that it is driven by western, neo-colonial motives.’

While there is no doubt that the SSNP helped the unemployed, it is clear that it also acted as a key justificatory mechanism in the face of considerable local opposition to the reform-inspired cuts.

Mr Panwar’s letter is explicit on this matter: ‘Implementation of private enterprise reforms in Andhra Pradesh has been a trailblazing programme that stands out in India and as a result all those involved in these reforms including DFID are increasingly open to scrutiny and criticism from those who are opposed to the reforms.

‘Thus our ability to implement SSNP successfully is a key element in the defence of public enterprise reforms by the government of Andhra Pradesh. We apprehend that further changes to SSNP organisation and support at this juncture will threaten/jeopardise its current success.’

The change in government in May 2004 meant that Naidu’s reforms came to an end, but the hurt to workers laid off during that period lives on – as does the British government’s responsibility for those redundancies.

Mr Bhushan, whose contract with Adam Smith runs until July 2005, told Christian Aid: ‘It is shocking that they [DFID] are withdrawing at this stage. It will have a very adverse impact. Even if reforms have come to an end, any sensible project would continue to help those affected by it... It’s irresponsible to back out. It’s like not taking care of the offspring of divorced parents just to punish the parents.’

DFID told Christian Aid that it had not prematurely ended its support for the safety net programme.

In a statement it said it had made £375,000 available to the SSNP under Phase I of the Reform programme (1998–2003). DFID added that under Phase II it would still be providing administrative costs while the Andhra Pradesh’s Public Enterprise Department took ‘fuller ownership’ of the programme, including funding for the SSNP from its own budget.

there are also some international consultancies like PriceWaterhouseCoopers.

Until the state election in May 2004 when the whole programme came crashing down with the demise of the Naidu government, the IS was immersed in a whirlwind of privatising activity. State-run enterprises tumbled; a film called *Rays of Hope* was made, extolling the virtues of privatisation; corporate logos were devised; liquidators brought in; redundancy notices issued; ledgers cleared; and final accounts called.

It was a heady time for those in on the project. Naresh Kumar, IS’s former media spokesman, recalled the frenetic speed of the operation.

‘The input for the CEO [Naidu] was tremendous. We’d be hitting the media every four days. Sometimes I felt a little bit edgy at the pace of it all,’ he said.[50]

At the project’s heart was Adam Smith. With his ringside view, Kumar saw the measure of the British consultancy’s influence.

‘The Adam Smith Institute could see the CEO at any time: it was phenomenal access. Every day there was a foreigner in the premier’s office.’[51]

Another Adam Smith manager, who did not want to be named, told Christian Aid that the institute’s British personnel were rarely not in attendance.

‘When these programmes were in full swing, there were one or two persons from [the Adam Smith Institute in Andhra Pradesh] every day. They stayed about ten days.’[52] And as Adam Smith’s influence grew, so too did the number of state-run enterprises to get the chop. In phase one, 19 went down. The Small Scale Industries Development Corporation – closed; the State Irrigation Development

Corporation – restructured; the State Textile Development Corporation – closed.

The list went on. By the end of it, 43 state-run enterprises had bitten the dust, either closed, restructured or sold off to the private sector.

The benefit to Andhra Pradesh is impossible to tally – but the cost to the workers in the state enterprises affected by DFID's consultants Adam Smith was immense.

According to trade unions, the process cost around 45,000 workers their jobs. Around 22,000 had taken voluntary redundancy, which means that around 23,000 were sacked.

Quite apart from the human cost, there are serious issues concerning what the proxy of a foreign government – in this case, the UK's – was doing at the heart of a democratically elected state, leading the way in the sacking of tens of thousands of Indian workers.

It is a matter that troubles many in India. 'There are many larger questions here,' says Professor Narasimha Reddy of the University of Hyderabad. '[One] is whether a democratically elected government should put up with this… [with] the result that its legislature becomes more like a rubber stamp.'[53]

In a paper on privatisation in Andhra Pradesh, Prof Ghosh of JNU quotes former state government principal secretary, VK Srinivasan: 'This is privatisation of governmental decision-making with staff neither being responsible for the results nor accountable to the government or the legislature.'

Effect of reforms on agriculture

Beyond issues of democratic governance, the Implementation Secretariat's savaging of the public sector seriously damaged some aspects of the agricultural sector. This helped frame the conditions of an agrarian crisis in which thousands of farmers became so desperate that they took their own lives.

Several state-run corporations, such as the AP Small Scale Industries Development Corporation (DC), the State Agro DC, the AP Meat DC and the AP State Irrigation DC, that had provided valuable support to the small-scale farmer were all closed.

The State Agro DC manufactured and distributed agricultural machinery and tools to farmers at subsidised rates. It also gave them technical assistance and helped distribute agricultural inputs. With its closure, these functions were taken up by the private sector.

'Private sector' is by no means always shorthand for 'bad'. But in the case of Andhra Pradesh's agricultural sector many believe the collapse of various state enterprises led to the growth of a particular kind of entrepreneur who did not usually have the interests of farmers at heart.

In these instances, such an entrepreneur would not only be the salesman of a particular type of seed, but also of a brand of fertiliser and a brand of pesticide. And it would be this middleman who could also provide the usurious loan to buy all his products.

According to a recent study of farmer suicides in Andhra Pradesh and the neighbouring state of Karnataka: 'Existence of middlemen has become a phenomenon. Nothing can move without their indulgence. The [families of suicide victims] felt that the clout of middlemen has increased tremendously in the past decade, that their octopus hold is increasing in a range of activities like the sale of inputs, money lending and trading in agricultural commodities.'[54]

Perhaps most significant was the restructuring of the AP State Seeds DC (APSSDC). This was restructured so severely that early in 2005 the current government declared its intention to revive it

Heading off drought

One of the fundamental problems facing farmers in Andhra Pradesh is a lack of water, and some critics assert that the drought affecting many areas of the state is the main cause of the recent crisis of farmer suicides.

While difficulty in accessing water has contributed to farmers' problems, it is hard to accept that drought is the overriding reason for these deaths. Droughts have occurred throughout Indian history without the accompanying waves of suicides.

This is largely because farmers have evolved sustainable farming practices which have allowed them to cope with water shortages.

What is different about the present crisis is that it comes at a time when farmers have been increasingly moving away from traditional farming methods to experiment with the new techniques foisted on them by the 'modernising' forces of liberalisation.

Due to their resilience, these traditional farmers have rarely had to deal with total crop failure. Their 'secret' is simple: grow a variety of traditional crops, such as sorghum, chickpeas, lentils, linseed, mustard, hibiscus, millet, redgram, cowpeas and tomatoes, on a single plot of land. Farmers often plant up to 30 crops on just a couple of acres of soil.

But many farmers are pressured by the state and the 'middlemen' who sell seed, fertiliser and pesticide to concentrate on single cash crops like chilli and cotton. These not only need far more inputs than traditional crops and are therefore more expensive to maintain, but are also far thirstier, requiring considerably more water.

The Deccan Development Society (DDS) works with more than 5,000 women farmers in the Medak region of Andhra Pradesh to help them achieve food security with traditional farming methods. Most of the women are dalits – formerly known as 'untouchables', the poorest of the poor castes.

These women farmers save seeds, use manure instead of chemical fertiliser and never use pesticides. And significantly, in view of the prevailing drought-like conditions, they require only rain water which is kept in large surface tanks. Expensive bore wells and irrigation systems are simply not required.

'In 2002 when the entire [region] was reeling under the drought and the hi-tech state… was importing up to 500,000 tonnes of rice every month to tide over the crisis, these women declared they had enough grain stored in their community grain banks and did not need outside support,' says DDS director PV Satheesh.

Professor Jayati Ghosh is one of many academics[55] who believe there are external reasons for the drought which can be traced back to liberalising policies pursued in Andhra Pradesh and at central Indian government level.

‘The crisis in water and irrigation sources can also be traced to these cultivation patterns… resulting from absence of public regulation or… advice, as well as the shift to more water-using crops, has caused water tables to fall across the state,’ she wrote recently.

‘Declining public investment, inadequate maintenance and the regionally uneven pattern of spending have all made surface water access problematic.’[56]

Certainly the women farmers working with the DDS have avoided the debt trap that has led so many others to take their own lives. According to PV Satheesh, up until early 2005 there was not a single suicide among farmers in the Medak area where traditional techniques are practised.

‘To a very large extent this is the outcome of their farming system which depends very little on external inputs,’ he said. ‘Working within such an extremely [low- or no-input] system, farmers have not been compelled to commit suicide [in] desperation under the burden of debt.’

from its ‘dormant’ state.

When it was allowed to function properly, the seed corporation served as a vital regulatory mechanism for the whole seed market. It produced its own seed and sold it via reputable private dealers. Farmers buying seed in this way were not subject to any pressure from the sellers to buy one type of seed over another; seed was a resource rather than a source of profit. Quality and price was assured.

Furthermore, the APSSDC had a statutory duty to ensure that all regions of the state – however remote – and all groups of people within the state were supplied.

The seed corporation also played a vital role in rice provision. In the past, the private sector has been reluctant to get involved because farmers traditionally saved rice seed from one year to the next. But those farmers who had not saved their rice seed or required new or more seed still needed somewhere to purchase stocks.

Until it was restructured, the APSSDC fulfilled this role so well that the Indian Council of Agricultural Research was able to say in 2000: ‘The APSSDC is recognised as one of the better-managed state seed enterprises in the country and it has done an effective job of supplying seed.’[57]

In March 2003 the IS’s order to close down 14 out of the APSSDC’s 24 seed-processing units was met by angry protests from farmers.

In its report, *The Hindu* newspaper said: ‘The APSSDC produces quality seed through its units in different parts of the state by organising seed production and supplying the same to farmers for improving the production of different crops. The role of the APSSDC is vital in the farming sector as unlike private seed producers it produces seeds of groundnut, pulses and other coarse cereals… Moreover, during the current drought conditions the state is experiencing, the APSSDC through its 24 units takes up the responsibility of seed distribution to farmers.’

The presence of state-regulated seed also helped maintain the quality of privately supplied seed; as long as the state was bound by certain standards, the private sector was obliged to match them.

However, as the state withdrew and the private sector moved in wholesale, there was no longer a quality benchmark to compete with. As a result of this and some formal changes in the regulatory framework, the quality of seed plummeted. Many seed packets sold today promise a germination rate of only 65 per cent.

'Seed cost has increased by three or four times and... supply of spurious and substandard seed has enormously increased during the last seven to eight years,' says Malla Reddy, general secretary of Andhra Pradesh's farmers union. This causes considerable loss to farmers. Government machinery controlling seed quality has, he says, become 'ineffective' and 'a mere spectator'.

When farmers cannot rely on the quality or price of seeds, it is bound to increase their vulnerability to other factors like drought or market fluctuations. It therefore increases the likelihood that, in extreme circumstances, some farmers would seek to escape crushing debt through suicide.

According to Professor Ghosh, public sector units like AP Agro and AP Seeds were extremely useful because they helped control the quality and price of inputs available to farmers – even from private sources.

'Eliminating these can have very negative effects on a cultivating community which is increasingly exposed to various forms of hard-sell by multinational companies and sale of spurious seeds and other inputs by private agents,' she said.[58]

Christian Aid/Richard Smith

Anji Reddy, farmer first in sugar cane, then cotton
Committed suicide: 7 December 2004

Narasa Reddy, a pea farmer
Committed suicide: 20 March 2004

When brothers Anji and Narasa Reddy saw their crops yielding insufficient money to repay their growing debts, they moved into cotton. But expensive inputs meant that debts continued to rise. On March 20 last year, 38 year-old Narasa swallowed a bottle of pesticide. Nine months later, Anji, 35, in despair at the death of his elder brother and faced with his own mounting debts, hanged himself. The farmers' parents, Ram, 76, and Mangamma, 66, (above) now have to rely on their daughters-in-law for income as they now have no sons.

Mallareddey Pelly village, Medak district, Andhra Pradesh

Conclusion

There can be little doubt that the scale of suicides in Andhra Pradesh and across India points to a major crisis. The number of farmers taking their own lives in Andhra Pradesh is shocking and indicates that something has gone terribly wrong with the agricultural sector.

These are not deaths from just one area or from just one type of farming. This is suicide on a scale that is surely unique in modern times.

The immediate cause of these deaths is debt. This debt was brought on by a number of factors, all of which, except for the weather, can be ascribed to liberalisation. These liberalising factors at both national and state level, were the results of policies made by India's central government, the Andhra Pradesh state government of Chandrababu Naidu, the IMF, the World Bank and DFID.

As Professor Ghosh surmises: 'The crisis of suicides [is] very clearly a result of public policy. And this has been guided by and substantially determined by agencies like DFID. They bring in an attitude towards privatisation as well as specific policies.

'There is a general attitude towards [privatisation] and specific interventions that have contributed very substantially to removing public protection from farmers. And without public protection no farmers anywhere in the world can survive, and that's what has happened here.

'What's interesting is how all this is done in the name of the poor of India and [in] the guise of aid. The British government are making a very big deal out of the inequalities in India. But here was a [UK] government that was all touchy feely about the poor and increased aid budgets but they were really promoting policies that systematically undermined that position.'[59]

The scale of deaths is a terrible indictment on all those who have been concerned with directing Andhra Pradesh's agricultural reforms, as well as the international institutions that helped create this crisis.

What makes it worse is that the suicide phenomenon – and the reasons for it – have been known about for years.

In 1998, a Citizens Report examined deaths in the cotton fields of Andhra Pradesh's Warangal district, stating that 'crop failure and debt burden' were the primary reasons for suicide.

And while it acknowledged that drought and pests were aggravating factors in bringing about this debt, it concluded that the expansion of commercial crops like cotton and chilli, fluctuations in crop yields, and exploitative input and output-linked markets 'have highly destabilised the small farming economy culminating in large scale suicides'.

Six years and thousands of deaths later in 2004, another Indian study – 'Farmers Suicides in Andhra Pradesh and Karnataka' – also concluded that debt was the underlying cause of the suicides.

'The central issue of farmers' suicides is the debt trap… this debt trap is tightening because of the drastic shifts in the cropping pattern that is market driven. Government policies like the removal of Quantitative Restrictions under the [WTO] have created havoc and exposed the farmers to the volatility of international market prices.'

How many more studies and how many more years will it take for the world to wake up to the fact that wholesale liberalisation of agriculture and the privatisation of the support mechanisms that sustain it are killing farmers?

Christian Aid made extensive efforts to get a comment from DFID on its policies on Andhra Pradesh.

As we were going to press a DFID spokesman said the department was unable to comment because of the constraints under which the government operates during a general election.

Ghana: democracy under attack

3

‘If we become apathetic about voting then it’s because only half our leaders are accountable to us. The other half [IMF, World Bank, donor governments] are not and if we go down their path and liberalise our economy further, and it doesn’t work out, who do we hold to account?’

Ken Quartey, Ghana National Association of Poultry Farmers

Ghana’s parliament building has a distant feel to it. Set at the top of a long, tree-lined drive with open lawns either side, it is estranged from the bustle and choking fumes of Accra, the country’s sprawling capital city that surrounds it.

In the stuffy minority lobby, joined to the main chamber by concrete walkways, Ben Kunbuor, a lawyer by profession and an opposition member of parliament, draws a handkerchief across his brow. ‘Conduct that offends the constitution has the potential to make government as unaccountable as it can be, if it can get away with it,’ he says with portent. ‘This does not augur well for democracy.’

Kunbuor is referring to a seemingly innocuous sequence of events that played out in Ghana’s parliament ten days earlier.

On Friday, 18 March 2005, as Ghana’s MPs were preparing to rise for their Easter break, finance minister Kwadwo Baah-Wiredu read a bill under rarely-used emergency measures. Minutes later, by a majority of just six, a two-year-old parliamentary act to increase import taxes on rice and poultry had been overturned.

The import tariff increases had been announced as part of the same government’s 2003 budget statement. Along with the rest of the budget proposals, plans to increase tariffs from 20 to 40 per cent on imports of poultry and from 20 to 25 per cent on imports of rice were given parliamentary approval. But although other measures approved at the same time – including reductions in import tariffs on typewriters and buses – were implemented as a matter of course, the rice and poultry tariff increases in Customs and Excise (duties and other taxes amendment) Act 641 were never imposed.

Why was a seemingly insignificant (and in any case unfulfilled) promise in a parliamentary act overturned in such haste by the same government that originally tabled it? Why are some parliamentarians and observers in Ghana so concerned about this turn of events?

The answer lies in a story that involves Ghana’s high court, its national poultry farmers’ lobby, the powerful IMF and its sidekick, the World Bank. It is a story that lays bare the relationship between the governments of poor countries and their wealthy international benefactors.

Pressure in recent years has led to new, poverty-friendly rhetoric from the major international financial institutions – but in practice, they are still calling the economic shots.

‘Many democracies in Africa have failed due to the things they have been forced to do by multilateral agencies, which are extremely unpopular with their own people,' said a senior official in the Ghanaian Ministry of Finance. 'Sometimes you tell them that this is not doable, but the IMF think these things are necessary in order to put economies back on track.[60]

'But you can't separate economics from politics.'

It is no wonder that the IMF, the senior of the two Washington-based institutions, is able to prescribe policies that Ghana has little choice but to follow. The Fund sits at the top of a pyramid of donors on whom Ghana relies for 45 per cent of its money. If Ghana steps outside a narrow, prescribed policy path, the IMF can withdraw its seal of approval – and with it the pyramid of funding that stands beneath, pitching Ghana into economic freefall.

In this case, Ghana's government was legitimately lobbied by poultry farmers – representatives of an industry that directly employs an estimated 10,000 people, and provides an income for up to 250,000 more in poor, rural areas.[61] The government chose to support the farmers' case – namely, that imports of cheap, subsidised chicken were killing local businesses – and raised tariffs on imports.

But the IMF insisted that raising import tariffs to protect Ghanaian farmers was unwise. More to the point, it was not part of agreed policy and would contravene the country's international commitments. As a result, the government changed its mind and suspended the tariff increases. A step which, in the judgment of senior constitutional experts and barristers in Ghana, undermined the will of parliament.

The affair has also set the Ghanaian government on a collision course with the country's constitution. One week before Act 641 was repealed, a high court judge had ruled that Ghana's authorities should have increased import tariffs on rice and poultry in accordance with the will of parliament. The ruling effectively meant that the suspension of the tariff increases was unconstitutional. Legal and constitutional observers now believe that the subsequent repeal of Act 641 is in defiance of the high court's ruling and could prove a further violation of the constitution.

The subsequent anger of many Ghanaian officials, the disbelief of activists and the brazen candour of the IMF throughout the affair has given onlookers a rare glimpse of the true relationship between one of the world's poorest countries and its economic taskmasters.

Budgeting for tariff increases

Ghana is facing a flood of cheap, imported chicken pieces, frozen and prepacked, much of which comes from Europe.[62] While chicken production does not receive direct EU subsidies, the grains that feed European chickens – the main expense for any poultry farmer – do.

By 2003, imports of chicken into Ghana had risen to 36,000 tonnes per year and were costing the country more than US$21 million in foreign exchange. Ten years earlier, just 3,497 tonnes of chicken meat were being imported per year.[63] Imported chicken meat typically sells at a price one-third cheaper than Ghanaian chicken.

While official figures for chicken production in Ghana record a steady increase, these are the government's own estimates. In truth, the industry is in a state of 'gradual collapse'.[64] Debts are mounting, workers are being laid off and chicks produced at some of the country's largest hatcheries are being killed because they cannot be sold to under-producing farms.

The Ghana National Association of Poultry Farmers (GNAPF), which represents many of the country's chicken farmers, began lobbying the government to take action. 'The genesis of our battle was to argue for subsidies,' says Ken Quartey, GNAPF's

Christian Aid/Sophia Evans

Ghana's customs authorities were censured by its high court for failing to implement increases in rice and poultry import tariffs

chairman. 'We drew up a ten-year plan in which we advocated the use of graduated import tariffs, investment and the [preferential] use of Ghanaian chicken in schools.'

And so it was that in the budget of 2003, tariff increases, as part of a government initiative to try and rescue the industry, won approval.

'The poultry industry is another area of the agricultural sector which requires government support to increase local production with a view to enhancing the nutritional requirements of the country,' announced the budget statement of February 2003. 'The sub sector is however facing intensive competition from subsidized [sic] imports … it is proposed that an additional duty of 20 per cent be charged on imports of finished poultry products into the country.'

But even as the poultry farmers' campaign appeared to have secured the support of Ghana's legislature, behind the scenes the IMF had begun its own campaign to persuade the government not to implement these protective measures.

According to one senior finance ministry official, the budget statement, including the proposed tariff increases, was approved by a Cabinet that 'hadn't thought that this policy had to pass by the IMF prior to the budget'. But when a copy of the budget reached the IMF, its country representative made a telephone call to Yaw Osafa-Maafo, the then minister of finance, to express the fund's concern.[65]

‘For a long time we thought our battle was with the government,’ says Quartey, ‘but we were taking on a bigger force than we realised.’

Once the budget had been passed by parliament, and Act 641 to raise import tariffs had become law, the pressure on the government increased as the IMF’s sister organisation, the World Bank, became involved. It was reported in Ghana’s *Statesman* newspaper – a pro-government daily with close links to senior ministers – that during a conference in Greece, James Wolfensohn, then the World Bank’s president, warned the head of Ghana’s delegation ‘to scrap the higher import duties tamped [sic] on poultry and rice in the budget…’[66]

‘It was a parliamentary network meeting in Athens. There is one each year,’ says Moses Asaga, the shadow minister of finance who attended the Greece meeting. ‘During coffee in one of the morning sessions, Mr Wolfensohn approached JH Mensah [the government’s senior minister] and raised the issue of the tariffs with him.’[67]

The IMF’s current representative in Ghana, Alphecca Muttardy, plays down her institution’s role in the affair, explaining that the government of Ghana had not followed the Fund’s ‘correct consultation process’ over the measures. ‘We pointed it out to government that this [raising of tariffs] was not a good idea, they reflected on it and agreed,’ says Muttardy.[68]

In truth, Ghana’s ability to raise tariffs on imports – although permitted under the rules of the World Trade Organisation (WTO)[69] – was already severely constricted by past agreements with the IMF. Its poverty reduction and growth facility (PRGF) agreement of 2000, on which US$35.1 million of IMF funding hinged, said: ‘The authorities [the government] will avoid the use of import surcharges for protecting local industries and are committed to the early elimination of all surcharges. The average tariff rate will be reduced while aiming at harmonising regional practices and avoiding distortions.’[70]

On the record, government ministers were also keen to emphasise that, although the tariff increases were ‘not ill-thought-through’, they had chosen of their own free will to suspend their implementation. ‘We are clear that where necessary we will support local industry, but it will not always be by raising tariffs,’ said Kofi Osei-Ameyaw, Ghana’s deputy minister of trade, who agreed that the IMF had expressed a firm view against increasing tariffs on poultry and rice.

This mystifies many of those who have followed the case. ‘Government went through due process, parliament scrutinised the proposal and passed it, then the IMF stepped in and pointed out it was not part of the programme and suddenly the government has changed its mind,’ says Bishop Akolgo, executive director of the Integrated Social Development Centre (ISODEC), a Christian Aid partner in Ghana.

Time and again during research for this report, government officials and others close to ministers confirmed to Christian Aid that the IMF’s role at the time had amounted to far more than that of an adviser.

Before news of the suspension of tariff increases had reached those likely to be worst affected, the IMF was reporting back to its headquarters in Washington on its success in persuading the government to change its mind.

‘The staff argued that such measures were likely to damage the authorities’ growth and poverty reduction strategy, as they would raise the consumer prices of two of Ghana’s staple foods (rice and chicken) and damage long-run competitiveness in the affected sectors,’ it says in its 2003 Article IV consultation paper, adding, crucially, that the government of Ghana had ‘committed that these tariff increases will not be implemented during the period of the


Christian Aid/Penny Tweedie

Local chickens for sale in Accra market. Poultry farmers face tough competition from imported poultry much of it from Europe

proposed arrangement'.[71]

When word of the IMF's role in the affair leaked out, Christian Aid wrote to the fund to express its concern. In its reply, Abdoulaye Bio-Tchane, director of the IMF's African Department, defended the institution's opposition to the proposed tariff increases.[72]

Bio-Tchane's letter makes no attempt to deny the IMF's role in the affair. 'When tariff proposals appeared in the 2003 Budget Statement in late February [2003], they caused us considerable concern,' it says. The letter goes on to explain that that the IMF '…have not yet been made aware of any evidence that Ghanaian rice and poultry farmers are suffering from unfair foreign competition.' It says that, according to 'official production data', Ghana's rice growers almost tripled output between 1990-92 and 2000-02, and that the poultry population in Ghana has been expanding at a rate of nine per cent over the past five years.

According to official figures, rice production has increased since the 1990s, although it declined by almost 25 per cent between 2002 and 2004, coinciding with steep increases in imports.[73]

But there is also plenty of evidence to support the poultry farmers' view that the industry is in what one report calls a state of 'gradual collapse'.[74] The last census of the poultry population in Ghana was in 1996 when it stood at 14,589,303.[75] In 2003, when Ghana's Ministry of Food and Agriculture estimated the chicken population, they concluded it had remained at around 14 million. However, GNAPF and others question these more recent figures on poultry. They say the government's 2003 estimate overstates the population.

A recent study of poultry farms, produced for Christian Aid by ISODEC, further reveals the extent of the malaise in the industry. It found that the hatcheries supplying the farms with chicks are producing significantly below capacity – some as low as 11.7 per cent and none higher than 60 per cent. The study highlights some structural problems within the industry, notably the high costs faced by small-scale producers. But it identifies the cheap imports as the main cause of the industry's gradual collapse.[76]

GNAPF's Ken Quartey is in no doubt about the plight of the industry or the state of his own poultry business. 'We are considering closing down the hatchery and broiler sections of the operation and losing 50 employees,' he says. 'Many of our members are technically bankrupt. Some businesses like to keep up a front but they're in a lot

Christian Aid/Penny Tweedie

Agatha Yumbia with her son Breno. Small-scale poultry farmers such as Yumbia are unable to expand their businesses because imported chicken is sold cheaper than their costs of production

of debt. One of the biggest farms is down from 270 to 120 employees.'

He is also in no doubt as to the reason for the industry's crisis. 'It's an unjust trade situation. There's no way you can argue about this. We cannot compete with the imported chicken.'

Christian Aid also wrote to Gordon Brown, who as chancellor represents Britain on the board of the IMF. Although there is no evidence to suggest that British officials were involved in influencing the Ghanaian government's decision over the tariffs, they were clearly not ignorant of the unfolding events.

In its response, the UK Treasury's trade policy team defended the IMF's position. 'The UK followed the discussion closely at the time, and I can assure you that the IMF stance was not about trying to apply a standard principle, but about the facts underlying the proposal and the overall effect on the economy,' says its letter.

Agatha Yumbia is a typical small-scale producer. She has a small chicken farm in southwest Ghana. A widow with a young son, she started her business two years ago with the help of a loan from her local church. 'I'd love to expand my business but can't because of the competition from imported chickens,' says Agatha. 'If there were no imports… I would be able to improve my living standards, send the children to school, provide healthcare and have a bigger house.'[77]

Agatha has managed to hang on to her most local customers. But in the face of imported competition she has lost out in important urban markets.

The state of the industry as a whole looks perilous. A recent Ghanaian newspaper report warned that Afariwaa Farms, one of the country's larger slaughterhouses upon which 100 small-scale poultry farmers rely to kill their birds, is on the verge of closure.[78]

Ken Quartey challenges the view that protecting farmers in Ghana would ultimately be harmful to poor people because of increased food prices. 'Continuing to allow cheap, subsidised imports is not doing the consumer any favours because the consumer is also the producer and if you take away his income he will not have any money to buy food whatever the price.'

He also rubbishes the argument used by both the government and the IMF that because Ghana is part of the emerging Economic Community of West African States (ECOWAS), it must reduce – not increase – import tariffs to harmonise with its neighbours. 'The ECOWAS argument is a smokescreen,' he says. 'There is no harmonised tariff.'

Ghana wanders 'off track'

The import-tariff debacle is not the only dispute between Ghana and its international donors that has undermined the country's democratic process in recent years. Since the new National Patriotic Party (NPP) of John Kufuor took power in 2000, two other bruising encounters with wealthy western benefactors have caused tensions between the government, parliament and people of Ghana.

Previous Ghanaian governments have had similar experiences. When the military dictatorship of Jerry Rawlings signed the country's first structural adjustment agreement in 1983, it was forced to begin the process of rapid and fundamental economic reform in return for loans from the IMF and aid from the World Bank.

With inflation running at 150 per cent in the late-70s and early-80s, many of the reforms were without doubt necessary and some brought benefits. For instance, domestic industry responded well to the liberalisation of foreign-exchange transactions. Increased investment and imports of essential industrial equipment led to growth rates in manufacturing ranging from 10 to 24 per cent a year between 1983 and 1987.[79]

But other reforms brought only misery and are now widely acknowledged to have failed. In particular, fertiliser subsidies were cut and rural banks and state-managed food-distribution companies were privatised. This period also marked the beginning of drastic import liberalisation – the tearing down of Ghana's protective trade barriers.

In hindsight, it is difficult to imagine how fragile rural communities, where most of Ghana's food was grown, were expected to withstand what was to come. At once, they suffered the withdrawal of government support for basic agricultural inputs, such as fertiliser and access to cheap credit; the disappearance of organised distribution for their crops; and new competitive pressure in the shape of increased imports from abroad, much of which came from countries where farmers received large subsidies.[80]

Some of the mistakes of the past have been acknowledged, if not rectified, by international institutions. But the new rhetoric of allowing governments in poor countries to set their own policies and steer their own course towards development appears hollow in reality.

In 2001, Christian Aid reported wide-ranging concerns among Ghanaian campaigners, trade unions and churches about plans to contract out the management and operation of the country's urban water systems to foreign businesses. In readiness for the planned public-private partnership (PPP), the state water company had increased prices by more than 200 per cent. This reflected what a bevy of international consultants hired by the World Bank (with British aid money) had 'advised' was a suitable 'market rate' for clean water.

Due to vociferous campaigning by the National Coalition Against Privatisation (NCAP) of water, plans for the letting of contracts have been delayed. But since its re-election in 2004, President Kufuor's government has signalled its intention to push ahead with the PPP. As further incentive, the World Bank has turned the promise of a loan of US$103 million to Ghana's water sector into the offer of a grant, to be released once contracts for the PPP are let.

NCAP plans to keep campaigning and is pressing the government to publish details of the tender in national newspapers. In the meantime, the clear tension that exists between the government and a significant constituency of its people over water is proving a disincentive to international bidders. British multinational Biwater recently announced that it was to withdraw from the bidding process.

The government of Ghana has also been fighting a very public battle over the deregulation of the state-owned petroleum industry. And since February 2005, petrol prices have risen from 20,000 to 30,000 Ghanaian cedis per gallon (£1.17 to £1.70), causing widespread public outcry and sending shock waves through the economy as prices of other goods, including food, increase. 'This has hurt not only urban, middle-class car drivers, but also farmers whose crops must be transported by road… and the economy [as a whole] as additional costs lead to general inflation,' says ISODEC's Bishop Akolgo.[81]

Ghana imports all of its oil and is at the mercy of international prices. Hitherto, imports have been channelled exclusively through the state-owned refinery at the principle port of Tema and the government has controlled the price to Ghanaian consumers through heavy subsidies paid to the industry.[82] According to the World Bank's latest poverty reduction support credit document, in 2004 this cost 2.4 per cent of the country's GDP.[83]

Since 1999, loans from the IMF and the country's agreements with the World Bank have been conditional on ending these subsidies and on the liberalisation and 'commercialisation' of fuel in Ghana. In 2001, just after the NPP government won its inaugural term in office, the first steps on this path were taken, and petrol prices doubled overnight.

But the government has been told it must go further. Ultimately, as the World Bank and IMF dictate, the private sector should be able to import fuel too, allowing prices on Ghana's forecourts to reflect world prices.

When IMF staff flew to Ghana from Washington in 2003 to review economic progress, their report commented: 'The staff advocated moving, as a next step, to the liberalization [sic] of petroleum prices by mid-2003 (assuming turmoil in world oil markets had subsided by then), but the authorities [government] preferred a longer period during which the population could become accustomed to regularly changing prices; hence they will wait until end-2003 before considering liberalisation.'[84]

In fact, so concerned was it about jeopardising its chances of re-election, Kufuor's government was allowed by the IMF to wait until after the 2004 election to continue the painful process of withdrawing subsidies.

Deregulation of petroleum was a condition of Ghana completing its Highly Indebted Poor Countries initiative (HIPC) debt relief programme with the IMF and World Bank. 'We told them they were required under HIPC to deregulate petroleum,' said Alphecca Muttardy of the IMF. 'They said "we can't do it in an election year but we promise to deregulate after the election if we can have [HIPC] completion point now." So we took a risk and agreed.'

Critically, it appears that although the deal on petroleum deregulation was already done with the IMF, this fact was not communicated to the Ghanaian electorate. Even as Ghana's incumbent President Kufuor was accepting election victory, he was being asked by journalists whether he intended to increase the price of petrol. While not denying that a price hike was on the cards, Kufuor said: 'The government is sensitive, very responsive and caring to the needs of Ghanaians and would not take any unnecessarily harsh decisions to deepen their plight.'[85] In fact, the government was locked, by virtue of its agreement with the IMF, into policy changes that meant significant price-hikes were inevitable.

Muttardy also revealed to Christian Aid that IMF staff had conducted a study into the likely impact of a 50 per cent increase in the price of fuel. The study – a poverty and social impact assessment or PSIA – has yet to be made public,[86] but according to Muttardy it shows that the country's poorest people are likely to suffer a decrease in their real incomes of ten per cent. She added that the government had been persuaded to put mitigation measures, such as free education and a commitment to invest in public transport, into the 2005 budget.

In his state-of-the-nation address in 2005, as petrol prices rose by 50 per cent, President Kufour said that Ghana could not ignore the 'general laws of economic reality'.[87] He added that, while it would inevitably lead to a rise in fuel prices and to general inflation, no longer subsidising petroleum out of the public purse would free valuable government funds for expenditure on social services. He did, though, concede it would be 'bound to cause some shock to the system'.[88]

Many poverty campaigners accept the need to reduce the government's involvement in keeping fuel prices low. But they are deeply concerned at the process of fuel deregulation imposed by the IMF and others.

'We have not seen the PSIA so we don't know what it says,' said Bishop Akolgo of ISODEC. 'We want the IMF and the government to come clean on precisely who consumes what fuel, who benefited from the subsidies and who has lost out as a result of their withdrawal.'

The Ghanaian government's decision to delay the fuel sector reforms has also raised concerns at the highest level of the World Bank. During a discussion of Ghana's country assistance strategy at a meeting of senior World Bank officials, a leaked official summary of which Christian Aid has obtained, 'a speaker expressed concern that some major structural reforms had been deferred, including petroleum price liberalization [sic] …'[89]

But while the issues of petroleum deregulation and water privatisation illustrate the war of attrition that is fought between a democratically elected government and its donors, the third of Ghana's triumvirate of contentious issues – the imposition or otherwise of tariffs on imports of rice and chicken – is the most clear cut and redolent of scandal and foul play.

Judgment day

Once it became clear that the promised increases in import tariffs on rice and poultry were not going to be implemented, Ghana's poultry farmers decided to seek redress through the high court. They were especially aggrieved because following the announcement that tariffs were to increase, many of them had stepped up production.

With the backing of the Accra-based Centre for Public Interest Law (CEPIL), the farmers brought a case against the Ghana Customs, Excise and Preventive Service (Ghana CEPS), the government agency that should have levied the tariff increases. On 11 March 2005, they briefly tasted victory.

Judge Ivy N Ashong-Yakubu ruled in favour of the poultry farmers in a case that is now being seen by constitutional experts in Ghana as highly significant.

Was ECOWAS the reason?

Both Ghanaian government ministers and the IMF told Christian Aid that the tariff increases were suspended because they would have put the country at odds with its commitments to its west African neighbours. However, a closer look at the current tariff commitments under ECOWAS shows that they should not restrict Ghana's ability to raise tariffs if necessary – a view confirmed by several sources inside government ministries.

ECOWAS members are discussing what is known as a common external tariff (CET). Should they agree a free-trade area in west Africa, then they will need to set collectively the tariffs to be charged on goods coming into the region.

The IMF's representative in Ghana told Christian Aid that it was the fund itself that had 'pointed out that Ghana had ECOWAS commitments on tariffs'. In its 2003 report on Ghana's economic performance, the IMF says that the country's 'medium term plans for economic reform are bound up with those of the Economic Community of West African States, the members of which have yet to agree on a timetable for the next phase of tariff reforms.'[90]

In its submission to the high court in the poultry farmers' case, the Ghana Customs, Excise and Preventive Service also refers to the ECOWAS treaty. It says that once the government had decided to increase the tariffs '…it was realized [sic] that it was contrary to the revised ECOWAS treaty…'[91] However, to support its point, the submission quotes from Article 40 of the treaty, which relates to internally levied charges and taxes, such as VAT, and not to import tariffs.

The current status of the ECOWAS CET is simpler than either of these statements imply. ECOWAS has yet to set a CET, although the treaty between its member states commits them to '…the gradual establishment of a common external tariff in respect of all goods imported into member states from third countries…'[92] One senior official in Ghana's Ministry of Trade told Christian Aid that ECOWAS is currently 'only an economic union on paper', and that 'the CET is not yet operational'.

An agreement reached in Abuja, Nigeria in December 2004 commits member states to phase in the CET over three years, with completion by 2007.[93]

In the meantime, other countries appear not to be lowering tariffs. A July 2004 report by the Ghanaian government points to the current differences in import tariff levels between ECOWAS member states. It shows that Ghana is at the low end of the spectrum, often in line with the members of UEMOA, the francophone economic union in west Africa that has already set a common external tariff. Nigeria, for example, levies much higher tariffs.[94]

The judge ruled that Ghana CEPS must increase the tariffs as agreed in 2003 and called the finance minister and attorney general to appear before the court at a later date to explain why the government had chosen not to implement an act of parliament.

‘When the case started the judge was hostile, finding petty reasons not to hear it,’ says CEPIL’s Dominic Ayine. ‘She wanted to see the connection between higher tariffs and the welfare of the farmers, how they were harmed. The affidavit we prepared shows that some have closed down businesses and others are beginning to scale-back production. This was enough to persuade her we had a case.

‘Her ruling was a historic moment for Ghana,’ he explains, ‘because it was the first time that the government was censured by the courts for not putting into practice what parliament had approved. Her ruling effectively means that the government has defied the constitution.’

Ironically, on the same day as Judge Ashong-Yakubu was making her ruling, UK Prime Minister Tony Blair was launching his Commission for Africa report in London – with its central thesis being the need for good governance in Africa.

‘There is a more fundamental issue at stake here,’ continues Ayine. ‘It is the right of Ghana’s democratically elected government to take its own decisions and of parliament to scrutinise those decisions and be kept informed of progress. This is something that has been undermined by international pressure in this case.’

Martin Amidu, one-time deputy attorney general of Ghana and a senior constitutional lawyer, agrees: ‘An act of parliament was not enforced. Nobody can deny that. Our constitution demands that once an act is passed by parliament and assented to by the president that it must be enforced.’

Amidu served in Ghana’s first democratically elected government and so also brings a sense of historical significance to the issue.

‘We enacted our constitution to avoid what happened under the dictatorship,’ he said. ‘But dictatorship happens incrementally, it does not get up one day and come. So it’s important CEPIL is prepared to challenge the government over this to keep it on its guard.’

But one week after the high court ruling, the law compelling Ghana’s Customs and Excise to increase tariffs on imports was repealed by parliament.

For Ayine, this is a blatant attempt by the government to avoid having to comply with the high court’s ruling. ‘Using parliament to overturn a high court ruling is as unconstitutional as not putting into practice what parliament has originally agreed,’ he says. ‘Article 107a of the constitution says parliament does not have the power to pass a bill that changes a legal ruling.’

It appears MPs may have been ignorant of events in the high court when they were asked to vote to repeal Act 641. ‘I don’t think parliament had any right to overrule a high court decision,’ says Moses Asaga, the shadow finance minister. ‘If I’d had this information [about the high court ruling] I’d have complained to the speaker and asked that the [18 March] bill not be read,’ he says. Asaga told Christian Aid he plans to introduce a new bill to raise poultry tariffs.

The government, however, is adamant that the high court ruling had no impact on its decision to repeal Act 641. Professor Gyan Baffuor, the deputy finance minister, told Christian Aid that the bill should have been introduced earlier, but because of congested parliamentary time it was not read until 18 March. Trade minister Kofi Osei-Ameyaw, meanwhile, said that they had not been aware of the high court ruling.

Christian Aid/Penny Tweedie

Salimah Mohammed drying rice in her compound. Rice farmers in Ghana are struggling to compete against imports

But for ISODEC, Christian Aid's partner organisation in Accra, the roots of the problem lie not in parliamentary technicalities, but in its government's relationship with international institutions and donor governments.

'Government is being withdrawn to the role of a night watchman if it can't implement measures like tariff increases when it thinks it needs to,' says Bishop Akolgo. 'This makes it increasingly difficult for a government to safeguard the rights of its people.'

In theory, both international institutions and individual donor countries appear committed to improving 'governance' in developing countries.

The IMF's Alphecca Muttardy was keen to stress that it was not the Fund's intention to undermine the government. 'Clearly it's not in our interest to do anything with the government that would compromise it legally,' she told Christian Aid. 'The fact is we also have a lot of experience about what works in countries and what doesn't work.'

The UK's Department for International Development states in its country assistance paper for Ghana that it aims 'to enable the government to develop a more effective and democratic governance system which is more accountable to the needs and voice of Ghanaians, particularly the poor.'

However, the UK is a leading player in the coalition of donors, including the World Bank, providing so-called direct budget support (multi-donor budget support, or MDBS) to the government of Ghana. Through MDBS, donors collectively give a large proportion of their overall budget for poor countries directly to the government rather than to specific projects.

As a condition of MDBS being launched in Ghana, the government was required to enact a piece of legislation on government procurement, including clauses on equal treatment of foreign firms. While clear and transparent rules for how governments procure services from the private sector are important, they should not be forced to treat domestic and foreign firms equally – effectively the liberalisation of a massive area of a country's economy – especially since this principle was rejected by African countries at the last WTO meeting in Cancun, Mexico.

Concerns are emerging about the powers afforded to donors through their involvement in MDBS. While MDBS is an efficient and more coherent means of providing aid to countries such as Ghana, a coordinated group of rich countries and the World Bank bringing their combined influence to bear on vulnerable governments provides ample opportunity for the pernicious pursuit of their own political agenda.

Ghana was discussed at a recent meeting of the executive directors of the World Bank. A leaked summary of the discussion illustrates how these senior officials view this sphere of influence.

'A number of speakers observed that [the MDBS] and poverty reduction support credits (PRSCs) were emerging as the principal vehicle for policy dialogue on sector reform,' records the summary.[95]

In other words, publicly debated and widely consulted documents, such as poverty reduction strategy papers, are seen as less important than direct (and less scrutinised) instruments, such as MDBS and the PRSC – now the main agreement over money given by the World Bank to support poverty reduction in poor countries.

A further comment appears to give a candid acknowledgement of the tension between the pursuit of pro-forma economic reforms and the aim of reducing poverty in Ghana. 'Since the stated objective of the PRSCs was to help in implementing reforms, [another speaker] asked how they would contribute to poverty reduction, which required employment creation,' it says.

The summary also refers to the issue of the rice and poultry tariffs. In a reiteration of the IMF's line, it records how there is 'not sufficient evidence to conclude that rice and poultry sectors are under stress from imports.' It observes, carefully, that the government of Ghana chose not to pursue an increase in tariffs.

CEPIL and the poultry farmers will fight on. 'We plan to take this matter to the supreme court because we think the constitution has been undermined,' says Dominic Ayine. 'We cannot simply sit back and accept that our sovereign government is so heavily influenced by the IMF and others that the course of our industrial development is fundamentally changed. We cannot let this industry simply die.'

Since beginning his long battle over the tariffs, Ken Quartey of GNAPF has been studying the country's agreements with its international benefactors.

'We have a poverty reduction scheme that is reliant on the IMF and is turning most of our citizens into dependents,' he says. 'It's far better to increase people's income than increase handouts to them.'

4 Jamaica: sex, drugs and unemployment

'There is no social safety net here. When large numbers of people are thrown out of work they are more likely to become drug dealers or prostitutes.'

Dr Marie Freckleton, economist at the University of the West Indies in Jamaica

Leissa Carey is on her afternoon break, waiting for the customers to arrive. Perched on a bar stool on the front porch of the Gold Finger Hot Spot, her eyes start to well up with tears as she talks about how she came to be working in a brothel when she was just 16. That was seven years ago.

Leissa was 14, the youngest of 12 children growing up outside Kingston, Jamaica, when her mother lost her job as a sugar cane cutter. She had been the sole breadwinner since Leissa's father was shot by the police in Kingston's notorious Tivoli Gardens ghetto when Leissa was just two years old.

When the sugar plantation closed, taking her mother's job with it, there was barely enough money to feed the family, let alone pay the fees for Leissa to go to high school. So, with very little money coming in, and scant prospect of finding a job herself in or around Kingston, Leissa moved to Montego Bay on the north coast and started work at Gold Finger's.

'There was just not enough food, and we'd go to bed eating salt and water,' she recalls. 'It is not a nice job, but you don't want to just sit down and die of hunger.'

When it gets dark, the atmosphere at Gold Finger's turns considerably seedier. The dingy club features erotic dancing interspersed with live sex shows on a dimly lit stage surrounded by fake wood panelling. The customers leer at the girls from their mustard-coloured imitation leather banquettes before making their selection.

After a brief negotiation, the punters are led upstairs where they pay between £25 and £50 for sex. From about 4 or 5am, the upstairs rooms double as sleeping quarters for the girls. The club pays them just £5 a night for erotic dancing, maintaining the fiction that the establishment is not a brothel.

Even though times were tough at home when she joined the club, Leissa, now 23, certainly doesn't blame her family. Poor though they were, her mother was against her move to Montego Bay, where Leissa's cousin was already dancing. 'We are poor, but you don't have to go into a career like that,' she urged. 'There are other alternatives.'

Leissa is clearly proud that she's been able to provide for her mother, including buying her a better house. But spending her adolescence working in a brothel has obviously taken its toll. The only time she smiles is when she talks about going home to visit her mother on Sundays.

Leissa's story is not unusual in Jamaica. In fact it is becoming more common. As an island state with a population of less than three million, economic development has been a struggle since it won independence in 1962. But the policy of market liberalisation that has, broadly speaking, been pursued by and imposed on Jamaica since 1980, has made matters worse rather than better.

Far from delivering the promised economic benefits that would lift the poor into relative prosperity, trade liberalisation both within Jamaica and internationally has contributed significantly to rising unemployment – particularly among unskilled women.

Christian Aid/Sarah Wilson

Leissa Carey has been working in a brothel in the tourist resort of Montego Bay since she was 16

Staple industries that employed poor women, such as sugar and banana cultivation, are in long-term decline. Now they are facing a steep drop in income from the knock-on effects of trade liberalisation in Europe. A previous attempt to diversify away from these cash crops into garment assembly also fell foul of international trade liberalisation.

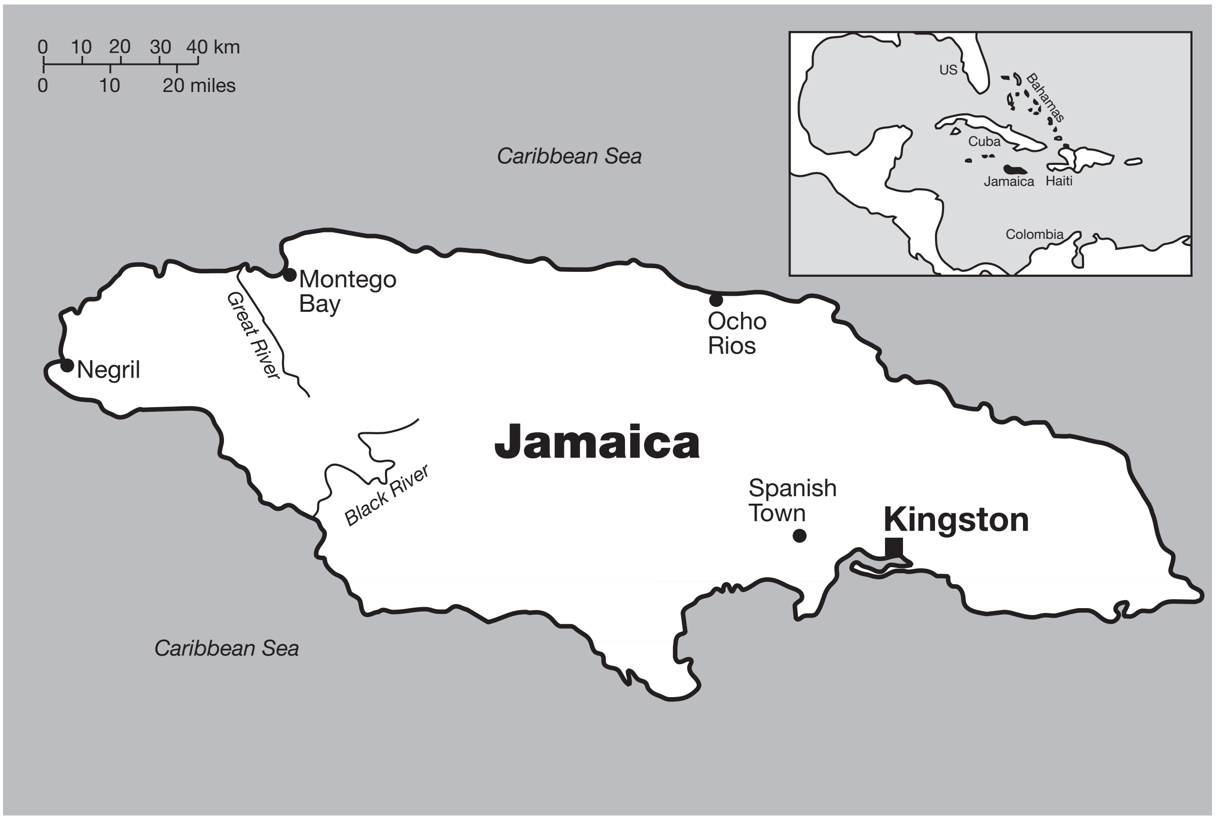
The role of women is particularly important in Jamaican society. Two out of every five households is headed by a woman, many of whom have sole responsibility for supporting and raising the children.[96]

The country's position, midway between Colombia and the US, has helped establish Jamaica as a major trans-shipment point for cocaine traffickers.[97] Hundreds of Jamaican women who face diminishing employment options have fallen prey to traffickers who pay them to become drug mules – that is, to board flights to the US and Europe after swallowing dozens of pellets of cocaine.

It is not only internationally negotiated trade agreements that have undermined and are set to undermine further the Jamaican economy. It is also the economic path pursued by successive governments on the island.

Edward Seaga's close relations with US President Ronald Reagan, including alleged practical support from the CIA, had helped him become prime minister in 1980.[98] Encouraged by Reagan, Seaga enthusiastically pursued the prevailing orthodoxy of trade liberalisation and privatisation.

At the beginning, privatisation drew in investment and tourism and mining performed well, driving rapid economic growth in Jamaica in the late-80s. This appeared to vindicate liberalisation.[99] But 25 years on, faced with the challenges of operating in an increasingly competitive global market, the policies have failed to deliver significant, lasting and viable increases in prosperity.



The information technology sector is often cited as a growth industry, employing women in call centres, for instance. But the women who lose their jobs in sugar and banana plantations or garment assembly are unlikely to be employed in this sector. The only work in and around the gleaming towers of New Kingston for poor women from the nearby ghettos is cleaning and prostitution.

For unskilled women, the economic landscape is bleak. In 1996, in the same year that Leissa turned 14 and the sugar plantation where her mother worked closed, there were 51,700 women employed in agriculture, forestry and fishing. Most of these women worked on sugar or banana plantations. By 2003, that figure had fallen by about a third to 36,400.[100]

The sugar and banana industries have been shedding jobs for years, but the process is about to accelerate during the latest round of trade liberalisation in Europe. Jamaica, along with other formerly colonial African, Caribbean and Pacific (ACP) countries, currently enjoys a preferential trading regime for its agricultural exports to the EU. But these preferences are now in the process of being phased out; how fast and how drastically is currently a matter of fierce negotiation between ACP countries and the EU.

Current and much-needed reform of the Common Agricultural Policy (CAP) Sugar Regime will also hit ACP countries hard. The EU now buys Jamaican sugar at prices well above world market rates. But that is set to change. By 2008, under current proposals, the reforms will see the price of Jamaican sugar fall by more than a third.

European sugar farmers are due to receive direct aid covering 60 per cent of their revenue loss as the price of sugar falls, but Jamaica is only likely to receive minimal compensation under a deal currently being negotiated.

The sugar and banana industries did not obtain such a significant place in the Jamaican economy by accident or bad planning. They are legacies of the British colonial era when they were the main crops produced for the international market on plantations financed by external capital and originally cultivated using slave labour.

After independence, the island was left with strong vested interests in the sugar and banana industries that were keen to perpetuate their power base. They also employed huge numbers of workers who formed a significant political constituency.[101]

Jamaica is also geographically ill-suited to the kind of mechanised, efficient production now employed by its competitors. Unlike Brazil, for example, Jamaica has limited tracts of the kind of flat land required for mechanical harvest and advanced land management.

As early as the 1980s, it was becoming increasingly clear, both within Jamaica and abroad, that as global trade increased, it would be difficult to maintain a significant and long-term share of the world market for raw sugar and bananas.

The pre-1980 socialist government of Michael Manley saw the expulsion of foreign sugar interests, including the British exporter Tate & Lyle. Manley then nationalised the sugar industry altogether.

The Seaga administration invited Tate & Lyle back in 1985 to use its expertise to manage the Jamaican sugar industry efficiently, for a fee. In 1994 a consortium of private investors, including Booker Tate (a wholly-owned subsidiary of Tate & Lyle), was encouraged to buy the Jamaican sugar industry.

This, ironically, occured during Manley's second administration, by which time his policies were more in tune with the prevailing privatisation-liberalisation consensus.

Privatisation did lead to some increases in productivity, but not enough to compete with yet more efficient producers entering the world market. By 1998, following a currency devaluation, the private consortium walked away from the sugar industry, forcing the Jamaican government to re-acquire it for the nominal sum of one Jamaican dollar.[102] The four-year experiment had achieved little more than throwing 2,000 people out of work in the efficiency drive. One of those people was Leissa's mother.

Shock therapy

By 2008, the price Jamaica will get for its sugar in the crucial European market is set to fall by 37 per cent under EU sugar reforms. Dr Marie Freckleton, an economist at the University of the West Indies in Kingston, accepts that the CAP sugar regime and the preferential trading regime for ACP countries cannot last forever, but she also warns against rapid liberalisation.

'When you liberalise markets all at once, the larger countries in Latin America are the only ones that can compete,' she says. 'There is no social safety net here. When large numbers of people are thrown out of work they are more likely to become drug dealers or prostitutes.

'From the point of view of employment, for trade liberalisation to benefit the economy, there have to be new export industries to take up the slack. But the only sector that has been expanding is tourism and that is not generating enough alternative employment.'

The only sectors in Jamaica currently on the up are remittances and cell phones. Jamaica now has the highest penetration of cell phones in the world, while according to Dr Freckleton, remittances from relatives abroad are now close to replacing tourism as the largest source of foreign exchange.

'People use their cell phones to call relatives and say: "I'm starving, please send me some money,"' Dr Freckleton quips – but she knows it's no joke.

Roger Clarke, the Jamaican agriculture minister, underlines the importance of more time and practical support when the knock-on effects of EU trade liberalisation unfold.

'If there is not some level of assistance with modernisation, the people who are thrown out of work in the sugar and banana industries would flock to the areas where tourism is,' he says. 'Harassment would be the order of the day and tourism would suffer.'

Large numbers of jobless people flocking to the cities also exacerbates crime, as people are more likely to find illegal alternatives to earning a living if the formal sector offers them nothing. 'As the cost of national security goes up, so the revenue from tourism goes down,' adds Mr Clarke.

The level of violence in Jamaica also tends to frighten off investors. The island has one of the highest murder rates in the world[103] – there were 1,469 reported killings in 2004.[104] This problem has its roots in the geo-political struggle of the 1970s which saw both the CIA and the Cuban government providing firearms to rival political factions to shore up their respective influence in Jamaica.[105] More recently, Jamaica's geographical position has made it an ideal transit point for South American cocaine bound for North America and Europe. The criminal gangs running the trade have brought in yet more guns.

What is the alternative?

If the country had more time and practical assistance, ethanol production could be set up as a possible alternative industry. This chemical compound can be produced from sugar cane and can be used as fuel for cars, with the added benefit that it does not emit carbon dioxide when it burns. Brazil, for example, has developed a highly successful ethanol industry.[106]

Another infant industry highlighted by Dr Freckleton is the cultivation of sea-island cotton. It can only be grown in the Caribbean and it produces a luxury fibre. There is already an international market in which Jamaica could compete without fear of stronger rival producers from China or India. But lack of inward investment, marketing expertise and a highly-trained workforce make developing these industries in Jamaica an uphill struggle.

In the UK, Diane Abbott, the Labour MP for Hackney North and Stoke Newington, argues that some measure of protectionism for these infant industries must be allowed as the ACP preferences are being phased out and the CAP is being reformed.

'You cannot allow the sugar and banana industries to collapse in Jamaica and not have any plan for what is going to take its place,' she argues. 'Government ministers here have this fantastical idea that the computer industry will take up the slack. But this industry requires a skilled workforce.'

According to Ms Abbott, those thrown out of work in agriculture have few realistic options in Jamaica apart from the drug trade or prostitution. And the growth in the drug trade is not just bad for Jamaica, it is bad for the UK, too.

In December 2004, Ms Abbott warned in an adjournment debate in the House of Commons about Britain's responsibilities to the Caribbean. She stated that Jamaica's close links with Britain meant that trade policies the UK pursued with the EU could have a knock-on effect here.

Carlington Wilmot/Gleaner Newspaper, Jamaica

Mercelyn Burton wielding her axe to cut sugar cane by hand at the Bernard Lodge Sugar Estate in Spanish Town. She is 28 and has three children to support

She said: 'If people sneeze in west Kingston, we catch a cold in Hackney. The criminals are as globalised as any multinational company. I regret that for all the energy ministers put into security, crime and drug issues, they do not link it to their trade liberalisation policies and modify them accordingly.

'Of course, change has to come – to bananas, to sugar and to the whole region. But the pace of change and the ability of the countries to draw down funds to manage that change is crucial if this is not to result in social disorder and dislocation in that region which directly impacts on us here in London.'

Later, she added: 'When pressed on the sugar question, ministers will tell us that it is all about British consumers and that they want them to have cheaper sugar. Consumers in Hackney call me for lots of reasons, but they do not call for cheaper sugar.

'Let us be clear: consumers in Britain or Europe will not benefit from lower sugar prices. The main beneficiaries will be an oligarchy of sugar producers in Brazil and the large sugar-using industrial manufacturers.'

If the transition away from sugar and bananas is to be achieved without female unemployment growing even more drastically, ACP countries need more time

Trade tussle

As a former British colony, Jamaica has long enjoyed a preferential trading relationship with the EU for selling its sugar and bananas. Jamaica is one of 77 former European colonies known as the African, Caribbean and Pacific group (ACP).

Sugar is Jamaica's main agricultural export,[107] so international agreements governing its price on the world market have a significant effect on the country's economy.

Historically, ACP countries like Jamaica have enjoyed privileged access to the EU market where prices are held artificially high. This situation, however, is about to change.

Access to the EU market is strictly controlled by tariffs, restricting supply and thereby keeping prices high. This regime was put in place mainly for the benefit of European producers. Under a special sugar protocol, the ACP countries were given duty-free access to the EU market. This meant they could get a price per tonne of sugar that was well above the world market rate. The trouble is, this scheme has made it virtually impossible for non-ACP sugar-producing countries to compete in the European market.

The picture is further complicated by the export subsidies granted to EU sugar farmers under the Common Agricultural Policy (CAP). Because of these subsidies, European farmers can dump sugar on the world market at prices well below the cost of production, thereby undercutting the price for sugar produced by poor farmers in developing countries.[108] Because sugar prices in Europe are artificially high and prices in the rest of the world are artificially low, selling in Europe is very important to sugar farmers.

Farmers in countries like Brazil, for example, face a double-whammy. They do not benefit from the privileged access to the EU market enjoyed by ACP countries. But their sugar is also being undercut on the world market by EU sugar sold at an artificially low price, because its production is subsidised by the CAP.[109]

In August last year, a preliminary ruling at the World Trade Organisation (WTO) upheld a complaint by Brazil about EU export subsidies. The future arrangement is currently being negotiated. Partly to address the disputes at the WTO, the EU is proposing changes to its current sugar regime. The proposed new arrangement would see a reduction in the price of sugar by 37 per cent on the European market.

Agriculture in Jamaica currently provides around 20 per cent of total employment,[110] and most of those workers are employed on sugar and banana plantations. The planned changes to the sugar regime will see EU sugar prices falling by more than a third by 2008, and will have a disastrous effect on Jamaican agriculture.

And while European sugar farmers will receive direct aid covering 60 per cent of their revenue loss as the price falls, Jamaican farmers and workers are unlikely to receive such compensation. The Jamaican government may be given some help to diversify, after the fact, but that is still being negotiated.

In the case of bananas, US companies with interests in Ecuador encouraged a separate legal battle at the WTO. For bananas, ACP preferences mean that Caribbean producers are guaranteed access to 20 per cent of the European market, which has given them an advantage over countries like Ecuador.

Following challenges at the WTO, the EU agreed to move away from a quota system to one based solely on tariffs. This will effectively provide greater access to rival producers – to the detriment of Jamaica. The level of that tariff is being hotly contested by Latin American countries which are home to US-owned banana producers.

The EU has proposed a €230 (£157) per ton tariff on bananas from non-ACP countries. Caribbean producers had hoped for €275 (£188), but Latin American exporters were pushing for €75 (£51). The higher the tariff demanded from rival producers, the greater the advantage to ACP countries.

How far and how fast the EU changes its current regime trading for both sugar and bananas will have a profound effect on the economy of Jamaica.

Richard Bernal is the former Jamaican Ambassador to the US and is now director general of the Caribbean Regional Negotiating Mechanism. 'The struggle now is to negotiate the best possible terms for Jamaica as trade preferences are phased out,' Ambassador Bernal told Christian Aid.

'The macroeconomic situation in the Caribbean region is not good. Most countries are very highly indebted because they had been dependent on revenues from trade levies. When you liberalise, you aggravate budget deficits,' he added.

to diversify. They also need more practical help.

Driven to drugs

Nearly 4.5 per cent of the UK female prison population is made up of Jamaican nationals, most of whom were drug mules.[111] In the last census, only 0.5 per cent of the general population of England and Wales identified themselves as Jamaican.[112]

As of December 2004, there were 193 Jamaican women serving sentences in UK jails, according to the Home Office. It costs £36,000 on average to maintain each prisoner. That means UK taxpayers are spending nearly £7 million a year to incarcerate women from Jamaica.[113]

Trade liberalisation of the Jamaican economy itself has also diminished the legitimate employment options for women. In the 1980s, Jamaica was forced to embark on a programme of lifting import restrictions when it signed up for a structural adjustment loan from the World Bank.[114]

This progressive openness had a significant impact on the informal economy. One traditional method of earning a living in Kingston is 'higgling', or small scale market trading. Women would book cheap flights to Panama, for example, stock up on cheap clothes and then sell at below retail prices from their houses or in the street.

By the early-1990s, most of the import restrictions on clothing had gone, making it much more profitable to operate low-cost clothing outlets.[115] Previously, indigenous Jamaican retailers and 'higglers' were protected from cheap imports.

Sharon Clark is one of the people who used to buy clothes in Panama from 1987. But by the late-1990s, it was becoming tougher and tougher to make ends meet. The multinational retailer Costco trades under the name Bashco in Jamaica. It does business in the same way as the Costco which operates in the US and the UK, selling clothing and house wares in vast warehouses at prices barely above wholesale.

Lifting the import restrictions made life easier for Bashco, but not for Sharon. If people could buy their clothes at the Bashco outlet in downtown Kingston for less than she charged, why would they bother buying anything from her? 'I might sell a pair of shoes for 700 Jamaican dollars (£5.90), but Bashco would be selling three for that price. I just couldn't compete,' she says.

Because she was not prepared for this unexpected competition, she quickly fell into debt, having recently borrowed money to expand and pay for more stock. Someone put her in touch with a man prepared to offer her a loan with a longer pay-off period. 'He wore a neck-tie and had a decent appearance, I thought he was a normal businessman,' Sharon remembers.

It turned out that his business was drug trafficking and the quid pro quo for offering her an extended loan was a trip to London with a kilo of cocaine in her stomach.

'I swallowed 49 packets that were about the size of half a Smarties tube in November 2001,' recalls Sharon. She also took a pill to make sure she wouldn't pass the drugs during the nine-hour flight. This meant she couldn't eat anything on board.

She was offered £2,500 to be paid on delivery. (The street value of the drugs she was carrying is probably ten times that.) The debts she was risking her life to pay off amounted to about £1,550.

When she reached Gatwick airport, most of the passengers were let through at customs, but she was held along with three others on suspicion or drug trafficking. It was her first time abroad and her demeanour aroused the suspicion of customs officials.

At first she denied it, but eventually after being held for more than 24 hours, the drugs passed through her system. If the packets had burst inside her, she would have died. She was tried, found guilty, and jailed. First she was sent to Highpoint in Suffolk for nine months, and then to Morton Hall, also in Suffolk, where most foreign nationals are held. In total she served two years and seven months.

Now that she is back in Jamaica after being deported following her release, her situation is considerably worse than it was before. The stigma is enormous. 'My neighbours don't talk to me. Even my mother and older daughter don't talk to me and I've been back for eight months,' Sharon tells a group of school children.

Sharon now gives regular talks in Kingston schools to warn teenagers that drug smuggling is no easy


Christian Aid/Sarah Wilson

Yvonne Greaves used to work in the garment industry, but lost her job when the Kingston factory where she worked was forced to close as a result of international trade liberalisation. After 20 years in the industry, she is now making what money she can by sewing her own garments and selling them privately

way out. These talks are organised by Hibiscus, a charity with bases in London and Kingston, which helps Jamaican women rebuild their lives when they return home after a jail sentence in the UK. It also buys school books for the children of these women who are left behind.

Riches from rag trade?

It is not fair to suggest, as some will, that Jamaican economic planners merely sat back and relied on the ACP trade preferences to underpin the unviable sugar and banana industries for years. A serious attempt was made to find alternative ways to employ unskilled women.

A garment industry was developed in the 1980s to attract foreign investment and create jobs. This was a standard development strategy at the time. At the other side of the world, Malaysia was using the garment trade as a stepping stone to the next tier of development. Malaysia later moved on to micro-electronics and enjoyed long-term economic growth.

Unfortunately for Jamaica, it was not so easy to take the next step on the development ladder. For one thing, it did not enjoy the same proximity to Asian electronics markets. The Malaysia government also worked closely with the private sector to ensure that credit and investment was directed into micro-electronics.

But in the 1980s Jamaican politicians were full of optimism that the garment industry would provide a new source of employment and promote development generally. The garment initiative was enthusiastically supported by then US president Ronald Reagan, who launched the Caribbean Basin Initiative (CBI) in 1984. The CBI offered preferential tariff treatment to garments exported to the US after being assembled in Jamaica.[116]

This encouraged the Jamaican government to set up Export Free Trade Zones (FTZs) in Kingston, and later in Montego Bay and Spanish Town, 13 miles outside Kingston. Businesses operating in these zones paid no tax on their profits and were exempt from duty on imports and exports.

The prime business set up in these zones was garment assembly, using textiles pre-cut in the US for re-export. But all this changed dramatically when the North American Free Trade Agreement (NAFTA) was ratified in 1994, linking Canada, the US and Mexico in a free-trade sphere. NAFTA called for trade tariffs within this area to be phased out over a period of 14 years.

This effectively removed the comparative advantage enjoyed by Jamaica under the CBI. It then became cheaper for the US to import garments assembled in Mexico, as both transportation and labour costs were lower there.

In Jamaica, NAFTA's impact was immediate – the island's exports to the US declined by 12 per cent in 1996 with many US companies relocating production from Jamaica to Mexico.[117] The picture for garments was especially miserable.

The country's manufactured exports in apparel (mainly garments, but also items such as shoes) fell by 91 per cent between 1998 and 2003 as a result of NAFTA.[118]

In 1995, there were 62,500 Jamaican women employed in manufacturing, mainly in the garment industry, but not all in the FTZs. By 2003, that figure had tumbled by two-thirds to just 21,000.[119]

The garment industry was dealt a further blow in January 2005, when the Multi-Fibre Agreement (MFA) expired. The MFA had allocated quotas on the amount developing countries could import to the developed countries in the EU and US. The arrangement benefited Jamaica because it enjoyed relatively generous quotas that made it easier to compete with larger countries with a bigger production base.

Forty-one-year-old Yvonne Greaves had been employed in the garment industry for 20 years. She managed to hang onto her job when others were being laid off until she finally fell victim to the MFA when the Antonia Knitters factory closed on 12 January 2005.

Antonia Knitters was part of the Arh Enterprises garment manufacturing operation in the Kingston FTZ. The company cited the MFA expiry as the main factor determining the relocation of its Jamaican operation to China.[120] At the Arh factory, Yvonne earned an average of about £20 a week, and sometimes more if she took on overtime at the weekends. It doesn't seem like a fortune, but it was just about enough to make ends meet.

One of the biggest expenses the family faces is school fees. Yvonne has two daughters, aged 12 and 13. The elder one's fees are nearly £150 a year. Again, that doesn't sound like much, but it's £3 out of a pay packet of £20 a week.

Since the factory closed in January, Yvonne has been unable to find a job anywhere else. 'Right now I'm applying for jobs all over the place. I'm willing to do anything: office assistant, working in a bakery, whatever there is.'

But jobs in Kingston are scarce, especially for women. While the garment industry was shedding thousands of women over the past decade, the labour market was already crowded by those who had migrated from the countryside in search of work as traditional agriculture declined.

In order to bring in some money, Yvonne has been sewing table runners, men's underpants and shoe bags. She had a sewing machine in her house, but it was destroyed in a fire. She now comes in two or three times a week to use the sewing machines at the Women's Resource Outreach Centre (WROC) in the Trenchtown district of Kingston. This is a well-known 'garrison' community, so-called because rival gangs there frequently resort to gun battles to settle their differences.

WROC is supported by Christian Aid and provides a health clinic and other practical resources for women in the community who live under the constant threat of violence.

Yvonne's story illustrates how the attempt to provide more jobs by setting up an alternative industry to sugar and bananas has failed – scuppered by international trade liberalisation over which the Jamaican government had no control. It was hoped that growth in tourism would create many new jobs. But this has not been the case. A growing number of tourists travel the Caribbean in cruise ships, only stopping on the various islands for a day trip. The number of Jamaicans directly employed in tourist accommodation has barely risen in recent years.[121]

Overall, the total number of Jamaican women in employment fell from 491,700 in 1995 to 402,300 in 1993 – a drop of nearly 20 per cent.

Sex sells

While garment manufacture failed and the sugar and banana sectors are shrinking, the sex industry is more buoyant than ever. Brothels, marketed as go-go bars, are ubiquitous on the north coast in resorts like Montego Bay, Negril and Ocho Rios. On the rural roads between these resorts, there are small clubs dotted along the road every 30km or so. There are also a growing number of these 'bars' in Kingston itself, while the even more dangerous street prostitution is also highly visible after dark.

Tamika Ellington's working day starts at 7pm. By that time, the hectic business district of New Kingston has emptied of commuters and dusk has faded into darkness. She takes the bus from her home in the ghetto to join the dozens of other women gathered on side-streets waiting for customers looking for another kind of 'business'.

She used to work in a Chinese-owned garment factory in the Kingston FTZ. She was there for four years, eventually working her way up to supervisor, inspecting the clothes that had been assembled by the other women. She was paid 20 Jamaican dollars (17 pence) a bundle and earned the equivalent of £18 a day. But the factory closed and the company went back to China.

She hits the streets three nights a week on average, depending on how much money she needs. Tamika usually stays out until about 5.30am. She makes about £50 on a typical 'shift' serving between five and nine men. Tamika is not as young as the girls working in the go-go bars, where she would be safer – the clubs do make an effort to protect their staff from violence. But at her age, that is just not an option.

At 28, Leticia Allen is younger, but she already has two sons, aged 13 and 15. The father of her elder son migrated to New York, and does not send money. Her younger son's father is dead. Leticia must find all the money for school fees, clothes and other expenses herself. Five years ago, she worked in a garment factory as well.

Since then, she's been selling sex on the streets of Kingston for between £10 and £15 a time. She starts later than Tamika, usually at about 11pm.

Christian Aid/Sarah Wilson

The Gold Finger Hot Spot, where Leissa Carey performs a nightly striptease along with a dozen other girls competing to entice men to the upstairs brothel

The number of nights a week Leiticia works ‘depends on my pocket’, she says. ‘Sometimes it’s every night. I used to think that women did this because they liked sex. But I’ve learned a lot of things since I’ve been working on the street.’

Many people denigrate prostitutes, Leticia adds. ‘But the people who point the finger are often the biggest clients. One of my regular clients is a lawyer and there are also a lot of policemen.’

She says she wouldn’t be working the streets if it weren’t for her two boys. But she would be appalled if they found out what she does for a living. Leticia regularly goes to sex education courses at Jamaica AIDS Support (JAS), an outreach organisation supported by Christian Aid. As well as education, JAS hands out condoms and lubricant to girls selling sex in nightclubs and on the street.

After Africa, the Caribbean has the highest incidence of HIV and the figures are rising. Among adults aged 15-44, AIDS-related illnesses have become the leading cause of death.[122] Clearly, selling sex is a high-risk activity. At least the risk can be diminished if the women use condoms and know the facts about the disease. So JAS runs regular HIV/AIDS awareness courses in brothels around Jamaica.

Not every Jamaican woman who has been affected by the decline in the garment, sugar or banana industries has turned to prostitution or drug trafficking. But the more legitimate industries are ravaged by the effects of trade liberalisation, the fewer options Jamaican women will have to earn a living and look after their children.

All the names of the women who spoke to Christian Aid about their lives have been changed apart from Yvonne Greaves and Leissa Carey

Recommendations

In 2005, Christian Aid celebrates 60 years of working for and speaking out on behalf of the poor people of the world. At a special service at St Paul's Cathedral to commemorate that anniversary, Dr Rowan Williams, the Archbishop of Canterbury, chose as the theme for his sermon the dangers of unfettered free trade and economic liberalisation.

The role of Christian Aid in this debate, he said, was: 'surely to make certain that the costs are clearly understood and that those who carry the greatest costs have a voice in negotiating how these costs are to be managed, without the Catch-22 risk of long-term damage from spiralling social disintegration or polarisation.'

That is the purpose of this report. By detailing the damage already done in pursuit of the free market credo, Christian Aid seeks to amplify and promote that voice – saying in the strongest possible terms that such costs should never again be so high or borne by the poorest people.

It is a voice that we want the British government to carry to the G8 meeting in Scotland in July 2005, a meeting that will be chaired by the prime minister. We want it to be heard relentlessly in every conference hall, committee room and informal discussion between the leaders of the world's richest nations.

These leaders are the people who really can do something to change the situation. If they need convincing of the dangers of foisting unbridled liberalisation on poor countries, they need only read the case studies in this report.

The current situation in Jamaica shows what happens when a poor country is forced into complying with the liberalising policies of rich countries. The development of a clothing industry there, and the continued existence of the older sugar and banana industries, are all due to 'trade preferences' – a system of preferential quotas and tariffs agreed with western governments. But once these preferences are weakened or removed altogether, those industries and the employment they provide are threatened. The social consequences of these moves, along with other free-trade policies, are as clear as they are disturbing.

The story in Ghana is one of democracy being undermined as a direct consequence of the International Monetary Fund imposing conditions on a poor country's government. Despite claims from international financial institutions that conditionality has been softened, this story shows how the IMF is still forcing poor countries to liberalise trade. Blatantly, as the report illustrates, it is prepared to disregard democratic processes to ensure that it gets its way.

The tragic story of farmers in Andhra Pradesh graphically illustrates what happens to poor people when governments and international donors promote liberalisation and privatisation without anticipating the full impact on the most vulnerable people. An over-enthusiastic pursuit of the free market agenda by the state government of Andhra Pradesh, supported by the World Bank and Britain's Department for International Development, has led to overwhelming debt and desperation. For thousands, this has in turn led them to take their own lives. Their families will continue to suffer from the effects for many years to come.

That British government policy could have contributed in any way to this crisis should be a source of regret and shame. It should also act as a spur for Britain to assume the leadership role in pushing for a fundamental change of direction. This must start at home, with the enactment of legislation to bind future governments to delivering on this change of policy. It must continue through the G8 and on to Britain's presidency of the EU. It must carry on until the change has been achieved.

As examined in this report, 25 years of liberalisation dogma will be impossible to jettison overnight. There will be a fight ahead, particularly when these deeply entrenched policies so often work in favour of rich countries' interests. It will take more than warm words.

What is required is a series of benchmarks that we can all understand and by which we can hold our government to account and determine whether or not it really is seeking to turn its rhetoric into reality. We not only need to be told that what is happening in our name, but to see it for ourselves. On behalf of the poor of the world, Christian Aid will be watching.

In his sermon, Dr Williams highlighted the 'corrosive' nature of poverty in developing countries. No less corrosive, he said, 'is the despairing assumptions that the world is organised in the interests of others.'

The organisers of the world are meeting in our country in July 2005. We call on our government to harry them until those leaders do their organising, for once, in the interests of the world's poor people. Again, we will be watching.

We call on the **UK government** to:

- immediately enact an amendment to the 2002 International Development Act, specifically barring all UK aid – bilateral, or through the World Bank or IMF – from being tied to policies of liberalisation and privatisation

- work actively to change the policy of these International Financial Institutions (IFIs) on conditionality

- make minutes of all its meetings with the IFIs public, so civil society groups can monitor progress. Given the secrecy that surrounds discussions between the UK government and organisations like the World Bank, it is often impossible to hold British officials accountable

- state clearly that poor countries have the right to raise tariffs and adopt other policies to nurture and protect their vulnerable industries – and that they should not be subject to external interference in these choices, nor be punished with less aid, refusal to cancel debt or less trade access.

We call on **the EU** to:

- ensure that any phasing out of trade preferences is done in a way that minimises the harm to poor countries, and provides them with maximum time to adjust

- provide compensation of at least €500 million to ACP countries which are dependent on sugar production to allow them to diversify into other industries. European sugar farmers have already been promised direct aid covering 60 per cent of their revenue loss.

We call on the **World Bank** and the **IMF** to:

- ensure that democratic decision-making within countries takes primacy over IFI views on economic policy. In particular, IFIs must stop insisting on certain economic policies in return for aid. IMF and World Bank lending should support national policy agendas that have been developed democratically

- ensure that all dealings between multilateral agencies and sovereign governments are carried out openly, minuted transparently, and scrutinised by parliament

- allow for more representation of developing countries on the boards of the two institutions.

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For more information, contact Christian Aid's media office on 020 7523 2421 or 07850 242 950 or at press@christian-aid.org

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Christian Aid
London: PO Box 100, SE1 7RT **Belfast:** PO Box 150, BT9 6AE
Cardiff: PO Box 6055, CF15 5AA **Edinburgh:** PO Box 11, EH1 1EL
Dublin: 17 Clanwilliam Terrace, Dublin 2
Websites: www.christianaid.org.uk www.christian-aid.ie
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Republic of Ireland charity number CHY 6998 P413