

Oxfam report details human cost of IMF programs

Nick Beams
20 October 1998

Oxfam, the British-based international aid agency, has issued a damning indictment of the International Monetary Fund in a report published this month on the deepening social crisis in East Asia.

The report begins by pointing out that the aid agency rejected last year's optimistic IMF prediction of a quick return to economic growth in the region and warned of the dangers of recession. That assessment, it now says, 'erred on the side of understatement.'

'The crisis now gripping East Asia bears a comparison in terms of its destructive impact with the Great Depression of 1929. What started as a financial crisis has been allowed to develop into a fully-fledged social and economic crisis, with devastating consequences for human development. Previously rising incomes have been reversed, and unemployment and under-employment has reached alarming levels. Rising food prices and falling social spending have further aggravated the social conditions of the poorest.'

IMF policies based on the imposition of high interest rates, supposedly to 'restore confidence', have exacerbated the situation and contributed to poverty. The most dramatic effects have been in Indonesia where gross domestic product is expected to contract by 20 percent. Output in Thailand and South Korea is predicted to fall by 6 to 8 percent.

While all income groups have been adversely affected by the crisis, 'the impact of rising unemployment has been felt most strongly by low-income urban workers,' with the rural poor suffering as consequence of falling remittance (from relatives in the cities) and deteriorating services.

In Indonesia, the collapse of the rupiah has pushed inflation towards 80 percent with unemployment set to reach 15 million by the end of the year.

'By the end of this year, over 100 million Indonesians

will be living below the poverty line--four times as many as in 1996.... With food prices rising, mass hunger and child malnutrition have emerged as real fears. Meanwhile, children are dropping out of school in unprecedented numbers. According to Indonesian government sources, as many as 1.6 million primary and junior secondary school students may be forced to withdraw from school. In real terms, government budgets for health and education have fallen dramatically. In Thailand, the number of primary school children not completing their education has tripled over the past year.'

The report then went on to cite reports from the agency's staff in Indonesia which pointed to the social crisis behind the statistics:

'In Yogyakarta, Central Java, where Oxfam works with street children, child prostitution is on the increase. Girls as young as ten are now turning to prostitution in a desperate attempt to feed themselves and their families.'

'In the outer island of Flores, there has been a steep decline in visits to health centres because families cannot afford to meet fees.'

'In West Timor several hospitals and health centres have been shut down and basic antibiotics are now unaffordable.'

'In Maluku, school attendance has declined by 60 percent.'

The report points out that in the Philippines, where an IMF program has been implemented to impose 'stringent financial discipline', allocations for preventative health care budgets for malaria and tuberculosis have fallen by 27 percent and 36 percent respectively. Immunization programs have been cut by 26 percent and several vitamin supplement programs have been withdrawn.

The cuts will result in an additional 29,000 deaths from malaria, an increase of 90,000 in the number of untreated tuberculosis cases, almost half a million children aged between one and five years not receiving Vitamin A supplements and some 750,000 women aged 15 to 40 years old not receiving iodine supplements.

The report has some scathing comments on the type of economic assistance provided to Indonesia which has 'often been directed towards the pursuit of commercial advantage on the part of the supplier' rather than the needs of the recipient.

'The US, for instance, has linked its \$460 million to Indonesia to the purchase of American cotton, soybeans, flour, wheat and corn. Australia has provided financing in some of the same areas, as much to protect its market share as to meet the real needs of the Indonesian economy.'

Overall, Oxfam maintains that IMF programs have 'prioritized the claims of commercial bank creditors in the US over the social and economic needs of Indonesia, with devastating implications for poverty.'

It warns that so-called social safety net programs being set up by the World Bank in Indonesia will have at best 'only a marginal impact.' Furthermore the World Bank 'is in the hapless position of erecting social safety nets which are collapsing under the weight of rising poverty and mass unemployment resulting from IMF programs.'

The report calls for an end to the separation of social and economic policy and insists that 'human development and poverty considerations should be integral parts of the macro-economic policy framework, which is currently dominated by narrow--and deeply flawed--financial targets.'

In setting out what it calls a 'framework for recovery' the report notes that 'private capital markets have outstripped the capacity of institutions and governments to regulate them in the interests of stability, growth, employment and poverty reduction,' and declares, 'new approaches are needed to avert disaster.'

However Oxfam's prescriptions--based on a series of reforms to the international financial system--fall far short of what its own analysis has revealed; that the needs of human development are incompatible with an international social and economic order based on the domination of the market and profit system.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact