

economic aid. The point is that successful debt adjustment cannot be just externally conceived and imposed; it must be socially and politically sustainable within the debtor country. This is a point which now applies as well to the daunting transformations underway in Eastern European debtor countries like Poland and Hungary. Canadian financier Andrew Sarlos told the Committee plainly in this context that:

... the World Bank and International Monetary Fund will have to find a solution, how to do it in a manner in which they preserve fairness and prevent impoverishing the population of these two countries and creating a politically unacceptable climate in which people will resent democracy because democracy will have the connotation of poverty. That is very important.<sup>(34)</sup>

It is also interesting to note that Jeffrey Sachs, the architect of economic "shock therapies" to stabilize financial crises and cure hyperinflation in Bolivia and lately Poland, has been a strong critic of the IMF for failing to accord sufficient importance to the need for political reforms and action on income redistribution.

**The key test of policy for the IFIs will be seeing that debt and adjustment cures do not make things worse for the already poor and vulnerable than the disease itself.** In Africa, Ghana is being held up as a political as well as economic model of adjustment, giving it access to comparatively huge amounts of donor assistance. Although the Ghanaian government came to power in a military coup, it is said to be populist and, as John Sinclair of CIDA testified, to have "made a major effort to bring the population into this process of policy reform and structural adjustment." Others familiar with the situation, such as Professor Gerry Helleiner, doubt that the Ghanaian case is replicable or sustainable over the longer term. Sinclair himself acknowledged that, after painful economic "stabilization," the "much more complex and difficult" recovery stage is still just beginning in Ghana. "Even after five or six years of active structural adjustment programs, the country has not progressed very far in that recovery process, which we would call the move back into a sustainable growth scenario."<sup>(35)</sup> It is noteworthy, too, that the World Bank, which now devotes 25% of its resources to structural adjustment lending, may be reviewing the wisdom of that approach a decade after making its first such loan in 1980. The Bank announced in March 1990 a shift back toward its traditional emphasis on long-term project funding.

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(34) SCEAIT, *Minutes of Proceedings and Evidence*, Issue No. 41, 15 March 1990, p. 30-31.

(35) Sub-Committee on International Debt, *Minutes of Proceedings and Evidence*, Issue No. 5, 8 March 1990, p. 6 and 8.