

# Adjustment programs and Bank support : rationale and main results

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## Abstract

This paper reviews the rationale for programs and then evaluates the design, implementation, and effectiveness of Bank-supported adjustment programs and discusses lessons that have emerged from the analysis of adjustment problems and programs. In countries that are experiencing acute macroeconomic imbalances manifested in the form of high fiscal deficits, balance of payments crisis and high open or repressed inflation, adjustment should start with policy and institutional reforms to deal with the ultimate causes of the macroeconomic crisis. Once enough progress has been achieved in reducing inflation and the fiscal and balance of payments deficits, other structural reforms aimed at improving resource allocation and achieving sustainable and equitable growth should be attempted. Among the latter reforms, the most common are: public sector reforms, trade/domestic competition reforms and financial sector reforms. Labour market reforms are not as common as they should be. The Bank can assist the adjustment process by providing both finance and policy advice.

Furthermore, the Bank helps countries in mobilizing other sources of finance. The ultimate success of the adjustment programs depends not only on getting the right policies in place but also on increasing investment -- including efficient public investment, saving and growth.

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