

# The imf and the world bank: criticisms and recommendations report example

[Technology](#), [Development](#)



## **Introduction**

Critics of Global institutions have a variety of complaints about the IMF and the World Bank. Explain some of the main categories of complaints and give some recommendations as to the type of reforms necessary for these institutions.

Formed as part of the Bretton Woods system after the Second World War to aid in the reconstruction of nations afflicted by the war, the international monetary fund and the World Bank have grown in stature over the years.

## **Criticisms of the World Bank and the International Monetary Fund and Recommendations**

- Segregation among member countries

One of the principal criticisms of the two global economic institutions is what is viewed as segregation of member countries. Developed countries are seen to have more clout on the affairs of the two organizations than developing countries. This can be best illustrated by the choice of leadership of the two organizations, where it is expected that the leadership of the two at any given time will be from Europe and the United States at any given time. This has been explained as being due to bias towards western capitalism which focuses on efficacy and marketing oriented policies.

- Use of incorrect assumptions to formulate policy

According to the Overseas Development Institute (ODI), another criticism which has been levelled against the two institutions is the working under the incorrect assumption that all disequilibrium in payments was caused domestically. This means that the two institutions for a long time did not

recognize that payments disequilibria in any economy could be as a result of both internal and external factors. Under this policy guidance, the prescriptions for economic stabilization programmes for countries with payments deficits usually resulted in adverse effects on the terms of trade of these countries.

- Anti-developmental policies

The two organizations have also been accused of prescribing policies which were anti-developmental to countries experiencing economic hardships. Most of the policy changes that the IMF in particular applied to nations in the 1980's and early 1990's resulted in the high losses of employment and huge reductions in output. There is also a feeling that the burden of the policies which were deflationary was borne disproportionately by the poorer nations.

- Harsh conditions for loans

Since the operations of the two organizations rely heavily on the offering of loans to member countries, there has been criticism that these loans bear harsh conditions. It has been described as a vicious circle where member countries are refused loans due to the harsh conditions that are attached to them, and as a result those countries end up with worsening economies. They opt to take the loans as a last resort when they are already worse off.

- Implementation of policies that lack clear economic rationale

The fifth criticism levelled against the two global economic institutions is the accusation that they implement policies which lack clear economic rationale. There are departmental rivalries within the two institutions, which leads to the development of policies which are theoretical and vague and applied to countries which have differing economic conditions.

## **Recommendations for reforms**

The policy framework on which the two organizations work under needs an overhaul to ensure that their implementation in member countries result in positive effects for those economies. Clear and concise policy implementation strategies need to be developed and interdepartmental rivalries within the organizations dealt with.

Blanket policy implementation should be avoided. Policies should be developed to suit the specific needs of every country. There is also a need to reduce the conditions that the two organizations impose on member countries before funding them. Leadership of the two Bretton Woods organizations needs to be diversified to be more inclusive of poorer member countries.

## **References**

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- Woods, N. (2006). *The Globalizers: The IMF, the World Bank, and Their Borrowers*. New York: Ithaca.