How effective has the imf been in helping countries in financial difficulty

Literature, Russian Literature

How effective has the IMF been in helping countries in financial difficulty? A nation in severe problems and unable in compensating its international bills poses possible problems for the stability of the international financial system which was created to be protected by the IMF. IMF has programs with more than fifty nations and has committed more than $325 billion to its members (International Monetary Fund, 2014). From time to time, IMF has faced a lot of criticisms mainly on the condition its loans have. There are also a lot of criticisms on how IMF is not accountable and its will in lending to nations that have bad human rights record.

On issuing loans to nations, the IMF makes the loan conditional on the execution of specific economic policies. The policies enacted may involve allowing failing companies to go bankrupt, putting higher interest rates in stabilizing the currency, reducing borrowing from the government and structural adjustment (Rogoff, 25). The big issue is that the structural adjustment policies make the situation to be worse. For instance, in the Asian crisis that happened in 1997, nations such as Malaysia, Thailand and Indonesia were instructed by IMF to follow tight monetary policy and tight financial policies in reducing the budget deficit and strengthening exchange rates.

Argentina was forced in the same financial restraint policy in 2001. This led to the damage of economy as there was a decline in public services investment. It is also seen that when IMF intruded in Kenya in the 1990s, it made the Central bank abolish controls over capital flows. The consent was that the decision made it easier for dishonest politicians to transfer money out of the nation’s economy. This reveals how IMF did not understand the dynamics of the nation it dealt with.

In conclusion, in responding to the public demands in addressing the debt crisis of poor nations and offering debt reliefs, IMF introduced the Highly Indebted Poor Countries Inventiveness in 1996 (Feldstein, 18). This was a big disappointment because of the insufficient debt relief supplied and its SAP requirements. Before a nation became eligible for debt relief under the Highly Indebted poor nations, it was supposed to successfully complete six years of structural amendments. The objectives of Highly Indebted Poor Countries were not to sustain debts in the poor countries, but to minimize losses incurred by the rich countries.

Works Cited

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