

# [The concept of structural adjustment](https://assignbuster.com/the-concept-of-structural-adjustment/)

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Structural Adjustment Concept of Structural Adjustment One of the most remarkable, systematic as well as invasive forms of external intervention related to developing countries since few decades has been, what is essentially known as, ‘ structural adjustment’. It can be comprehended as an effort made by the International Monetary Fund, the World Bank as well as the Organization for Economic Co-operation and Development (OECD) member countries to alter their economies in significant ways. It is worthy of noticing the fact that the concept of structural adjustment is quite closely related to the issue of debt as it is viewed as an influential international actor. It is also considered as one of the ways to overturn the fall as well as marginalization of these states as globalization of the economy of the world increases (Callaghy, 2002). Structural adjustment can be defined as the strategies which are executed in the developing countries by the International Monetary Fund as well as the World Bank. These strategic alterations are required for availing new loans from the International Monetary Fund or the World Bank, or for gaining lower interest rates on established loans (Bird, 2004). Relation of Structural Adjustment with IMF/World Bank Developing nations strive to face urgent domestic precedence, from poverty reduction to combating epidemics. It is because of the debt repayments burden that constantly weakens the efforts made by indebted government in order to alleviate the widespread poverty in their societies. Presently, the International Monetary Fund and the World Bank distribute debt reliefs to those countries that are highly burdened with debt by means of a program which is referred as Heavily Indebted Poor Countries Initiative (HIPCI). HIPCI endeavors to ensure that the economically backward nations must not face debt burden that cannot be managed by them. Nonetheless, in order to attain these objectives, HIPCI narrows its meaning related to sustainable debt and its persistence upon the adoption of numerous economic as well as infrastructure related contexts which is generally known as structural adjustment conditions. This has made countless non-governmental organizations to insist the fact that HIPCI policy has been unsuccessful to accomplish its stated goals (Melville, 2002). Relation of Structural Adjustment with Poor Countries Debt Structural adjustments have deepened poverty in the world. In Latin America as well as in Africa that faced great structural adjustments experienced the per capita income to be stagnated. It has further been noted that structural adjustments have led to high income as well as wealth inequality in the developing countries of the world. The numerous structural adjustment policies that have led to high poverty are privatization, cuts in the government spending and higher interest rates (Essential Action, 2012). Loss of Sovereignty Along with the issues related to external debts as well as un-equal trade, the result of the current pro-market strategies for third-world nations is the deeper integration of their economies into the world capitalist structure and the further loss of their economies self-reliance as well as sovereignty. There are several indicators related to this deteriorating independence along with sovereignty of third-world nations (Easterly, 2004). For instance, in the present times, third world countries are undertaking economic policies under the pressure from international financial institutions which is often dictated by the world economic powers. In the favorable situation of external debt and dependence, the IMF, the World Bank as well as the International Finance Corporation have impacted these countries to adopt the stabilization as well as structural adjustment programs as one of the required conditions for the loans. In other words, it can be stated that in most of the African, Asian as well as Latin American countries, numerous pro-market policies under the structural adjustment programs have led to the decline in fixed domestic investment and thus obstructed the procedure of capital accumulation, undermined the economic foundations of indigenous industries and has also improved the process related to local de-industrialization. It is generally because these externally imposed adjustment programs require third-world states to facilitate foreign investment that competes with the weak local investors, to open the market to foreign goods thereby making the local producers unsecure and to offer special privileges to foreign companies that are not made available to domestic enterprises (Kouzmin, Hayne & International Institute of Administrative Sciences, 1999). Conclusion It is worthy of noticing the fact that under such arrangements related to free trade as well as market competition, the comparatively weak as well as small industries belonging to third world countries can hardly have any kind of competition with huge and advanced transnational corporations. The majority of the critics state that structural adjustment programs pressurize the dominion of national economies since an external organization is ordering a nation’s economic policy. The critics state the fact that generation of good policy is in a sovereign nation’s individual best interest. Therefore, in such circumstances, structural adjustment programs tend to be needless given the state is performing in its best interest (Kouzmin, Hayne & International Institute of Administrative Sciences, 1999). References Bird, G. (2004). The IMF and poor countries: towards a more fulfilling relationship. Retrieved from http://siteresources. worldbank. org/INTPRS1/Resources/PRSP-Review/bird\_imf. pdf Callaghy, T. M. (2002). Innovation in the sovereign debt regime: from the paris club to enhanced HIPC and beyond. Retrieved from http://lnweb90. worldbank. org/oed/oeddoclib. nsf/DocUNIDViewForJavaSearch/4BC77E9BEC2CAAFC85256E4A00536A04/$file/hipc\_wp\_sovereign\_debt. pdf Easterly, W. (2004). IMF and world bank structural adjustment programs and poverty. Retrieved from http://www. nber. org/chapters/c9656. pdf Essential Action. (2012). 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