

# Structural adjustment and ideology

[History](#)



SAPs and how they affect a country in need The International Monetary Fund (IMF) was created to stabilize exchange rates and assist in the rebuilding of the world's economy following World War II. Originally established with altruistic views in mind, the IMF has morphed into a much larger and not as beneficial organization. Not only is the IMF the primary organization that assists countries in financial need, but has created Structural Adjustments when loaning money.(Konadu-Agyemang) These adjustments affect how a country can receive money and/or the terms which to pay it back. Not only can the IMF affect small countries needing assistance, and the addition of the Structural Adjustments furthers the affect that certain policies have on them. The Structural Adjustments will be closely looked at by viewing a country that has needed to secure funds from the IMF.

When the IMF and the World Bank began to implement Structural Adjustments, the goal was simple. The goal is to decrease the fiscal imbalance while also decreasing the countries overall poverty rate. What the IMF does to decrease imbalance in the shortest possible time frame is to implement a free market system. This free market system is believed to have a positive effect on the countries financial outlook. The IMF however does not take account the negative aspects that surround a free market system.(Danaher, 65) While there have been some changes, the major tenants are the same.

Afghanistan, a country that is embroiled in war is also a country that the IMF has assisted as of December 2011. The policy is that if certain criteria are followed, Afghanistan will be out from all external debt in six years. Not only do the initial requirements to gain funding difficult to achieve, the entire program has fundamental changed how Afghanistan views money, most of it <https://assignbuster.com/strucural-adjustment-and-ideology/>

now negatively. When Afghanistan first requested to be in the program, their debt to export ratio had to exceed 200% and/or their debt to government revenues had to exceed 280%. These figures arguably are arbitrary and therefore restrictive for the requesting nation. In addition one of the major tenants of the IMF is that a free market, without much governmental oversight be created. This upset the people of Afghanistan, as previously all of their industry was controlled by internal forces, versus external corporations and other countries. Another requirement of the IMF is that most state owned resources, utilities and industries become privatized. In Afghanistan this caused many issues as there is a tradition of state owned industry. The last issue that the IMF has caused in Afghanistan is that one of the regulations concerns agricultural, anti-land reform and food trade policies that has maimed much of Afghani business owners and created a haven for large cities that have anti-IMF beliefs. (IBP, 220)

What the IMF does sounds very good on paper, but there are many issues that present themselves later that countries needing assistance do not take into account. A full look at what is expected of countries should be vetted prior to a country signing a document to work with the IMF. Preying on countries that have no other choice is both good and bad for business.

Works Cited:

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