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① Introduction

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④ How Is IMF Bailout Package a Recipe for Disaster?

Ⓐ Conditionalities attached with IMF packages lead to compromise on sovereignty and foreign policy of a country

Ⓑ Leading to Dependency Syndrome and blow to self-reliance

Ⓒ Decreases accountability that leads to increase in corruption

Ⓓ Causing inflation due to devaluation of currency

Ⓔ Chronic dependency on IMF hampers good governance

Ⓕ Austerity measures attached with IMF bailout package increase taxes, abolish subsidies and decrease developmental spending

Ⓖ Strict structural adjustments increase poverty

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Ⓙ Causing social unrest in the form of strikes, sit-ins and protest

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⑤ How Is IMF Bailout Package a Road to Stability?

Ⓐ It brings economic stability to the country.

Ⓑ It brings policy reforms that are beneficial to the country.

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① Increasing employment ^{rate} and solving
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② conclusion

From The Concert of Europe to the latest Asian Infrastructure Investment Bank, international organisations remain essential element of Global Village. They play a crucial role in promoting global cooperation, setting international standards, and addressing global challenges. IMF is also an international organization that was formed by an agreement among 44 countries at United Nations Monetary and Financial Conference. It aims to promote global economic stability and prosperity by providing financial assistances. However, due to its poor policies and strict conditionalities, it has failed to achieve its objectives. It has been proven a recipe for disaster for many countries. IMF bailout packages lead to dependency syndrome and destroy self-reliance. It increases accountability that leads to corruption in a society. Similarly, the conditionalities attached with IMF packages lead to compromise on sovereignty and foreign policy. Moreover, chronic dependency on IMF hampers good governance. In addition to this, the austerity measures advised by IMF increase taxes, abolish subsidies and decrease developmental spending. Furthermore, strict structural adjustment of IMF increase poverty in the recipient country. Besides, IMF bailout packages negatively affect local industries decreasing their efficiency and productivity. Additionally, halt on government recruitment

to address fiscal deficit leads to increase in unemployment. On the other hand, some argue that IMF bailout package is a road to stability as it brings economic stability to a country. Similarly, it brings policy reforms that are beneficial to the recipient country. Moreover, it increases employment rate and solves the poverty trap. However, it is far from reality as many countries like Argentina and Greece faced severe instability, social unrest and default due to conditions and austerity measures imposed by IMF.

T.S Hence, IMF bailout package is a recipe for disaster for many countries owing to its severe negative consequences.

The International Monetary Fund is an international organization established to promote global monetary cooperation, secure financial stability, facilitate international trade and reduce poverty. It was established as part of the Bretton Woods Agreement, which aimed to create a new international economic order after World War II. Its primary goal was relieving the economic miseries of war-affected countries. Joseph Stiglitz, a renowned economist, defines IMF as, "The IMF is a global institution that provide financial support and policy advice to countries facing economic difficulties." IMF aims to provide a platform for consultation and collaboration on international monetary issues, and facilitate the expansion

and balanced growth of international trade.

It monitors global and national economic trends, provides policy advice, and offers financial resources to member countries. Besides, it provides technical assistance, training, and advice to help countries improve economic management and financial institutions thereby promoting economic stability and reducing poverty.

Various countries go to IMF for loans when they face significant financial difficulties usually related to balance of payments problems, economic crisis or an inability to meet international financial obligations.

Countries often face situation where they are unable to pay for essential imports or service their debt obligations. The IMF helps stabilize the country's currency, support the balance of payments, and avoid further economic deterioration by providing loans. IMF provides funds along with a program to countries to manage repayments while making the necessary economic adjustment. Similarly, IMF provides support to stabilize the currency and implement policies that restore economic balance. For this reason countries struggling with currency instability or hyperinflation go to IMF. Moreover, to attract foreign investment back, countries take loans from IMF. These loans restore stability and signal that the country is taking serious measures to address its issues. Furthermore, nations hit by natural disasters or pandemic seek IMF loan to fight these situation.

The conditionalities attached with IMF package lead to compromise on sovereignty and foreign policy of a country negatively affecting the national interest. These conditions include the implementation of specific economic reforms and policies, and alignment of international relations as advised by IMF. In order to get the package, the recipient country adopts those reforms and policies as advised by the IMF thereby compromising on its economic sovereignty. These reforms and policies are often against the will and welfare of the citizens of that country leading to a loss of control over domestic policy decision. Similarly, the IMF is heavily influenced by major global powers. As a result, the recipients of IMF loans may find themselves pressured to align their foreign policy with the interest of these powers thereby negatively affecting their national interest. For instance, in 1970s, Egypt had to shift its foreign policy alignment from Soviet Union towards the United States to get IMF loan to stabilize its economy following the Arab-Israel war. Therefore, IMF package brings with it certain conditions that make countries compromise on their sovereignty and foreign policy neglecting their national interest.

Similarly, IMF bailout packages lead to dependency syndrome and undermine self-reliance of the recipient country. The country receiving IMF bailout package becomes

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heavily reliant on external financial assistance, aids or investment instead of finding sustainable economic solutions. IMF package provides immediate financial relief often leading to long term debt.

This causes countries to repeatedly turn to IMF for assistance and become reliant on these funds. Moreover, these packages come with stringent conditions that can stifle growth and exacerbate poverty ^{WM} thereby limiting the country's ability to become self-reliant. This dependency results in countries to service existing debts rather than investing in self-reliance initiatives like infrastructures, education and industry. Pakistan has entered into 23 IMF programs since 1958, reflecting a pattern of repeated reliance on IMF assistance. Thus, IMF bailout packages lead to dependency syndrome and destroying self-reliance of the recipient country.

Moreover, IMF bailout package leads to corruption by decreasing accountability in the recipient country negatively impacting the economic growth. IMF bailout package is accompanied by policies to be implemented by the government to ensure its repayment of loan. As these policies are advised by IMF and are not designed by the country's policymakers or elite class, they are free from the accountability of the failure of these policies. This leads to corruption in distributing and spending the money received through loans. The elite class may divert funds for personal gain or use public resources

to gain political power. Besides, IMF programs emphasise cutting public spending which weakens institutions like anti-corruption agencies and public oversight institutions leading to increase in corruption. According to World Bank analysis, between 1980 and 2015, countries that relied heavily on IMF loans had an average increase in corruption perception scores by 15%. Therefore, IMF loans increase corruption in the recipient country by reducing accountability of the elite class.

In addition to this, IMF bailout package causes inflation to rise due to devaluation of currency of the country receiving the package. Inflation measures how much more expensive a set of goods and services has become over a certain period. IMF programs demand a flexible exchange rate which results in currency depreciation as market forces determine the exchange rate. This makes imports more expensive leading to cost-push inflation. Moreover, IMF conditionalities often include cutting subsidies and reducing government to reduce budget deficit. This leads to higher prices for fuel, electricity, and food, which directly contributes to inflation. For instance, Pakistan has been beset by inflation above 20pc since May 2022 as it navigated reforms as part of an IMF bailout program. It is due to IMF programs that countries face high inflation. Thus, high inflation due to currency devaluation is the results IMF bailout package.

Likewise, chronic dependency on IMF package hampers good governance. Good governance

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refers to the effective, transparent, and accountable management of resources and institutions to promote the well-being of its citizens. Due to IMF pressure, decision-making is centralized in that country where policies are implemented quickly without sufficient consultation or public input. This undermines democratic processes and local governance structure. Besides, short-term focus of IMF programs often sidelines long-term governance reforms, such as strengthening institutions, improving transparency, and promoting anti-corruption measures. All this hampers good governance halting development of the country. According to a 2021 study by World Development, countries under IMF programs show a decline in key governance indicators, such as rule of law, regulatory quality, and government effectiveness, compared to those not under IMF programs. Thus, IMF bailout package hampers good governance in the recipient country.

Furthermore, certain austerity measures are attached with IMF package which include increase in taxes, abolishing subsidies and decrease in developmental spending. These measures address fiscal deficit and help in repayment of the loan taken from IMF. They have many negative socio-economic impacts affecting low- and middle income population. Higher taxes typically involve increasing value-added tax, broadening tax base or introducing new taxes, which can disproportionately affect low- and middle income populations. Similarly, removing subsidies, particularly on essential goods like fuel, electricity and food, leads to higher prices

burdening common man. Moreover, decrease in developmental spending, to meet IMF fiscal targets, slows economic growth, reduces employment opportunities, worsens social outcomes, and slows human development. According to World Bank, countries that implemented IMF austerity measures between 2000-2020 reduced their average development spending by 22%, affecting infrastruct., education and healthcare. So, austerity measures advised by IMF result in increase in taxes, removal of subsidies and decrease in developmental funding which hinder a country's progress.

Additionally, IMF bailout package exacerbates poverty by advising strict structural adjustments to be implemented by the recipient country. Countries that take IMF loans are already experiencing poverty. IMF strict structural adjustments lead to reduced funding for poverty alleviation programs causing more people to fall below the poverty line. Besides, privatization of state-owned enterprises is a part of IMF structural adjustment program, which leads to job losses further increasing poverty. This often affects the poor making it difficult for them to meet basic needs of life. A 2018 Study by the Center for Economic and Policy Research analyzed 135 IMF programs across different countries and found that poverty and inequality often worsened due to austerity measures, wage suppression, and labour market deregulation. This is due IMF strict structural adjustment that many countries that have taken

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IMF loans face poverty. Therefore, strict structure adjustment implemented by IMF exacerbate poverty in already poverty ridden states.

Also, IMF bailout package increases unemployment rate by banning the recipient country from new recruitment in order to address fiscal deficit. Funds for new jobs and projects are diverted to address fiscal deficits. This is done because public sector wages and pensions often make up a significant portion of a country's budget. Recruitment freezes can strain public services like healthcare, education and administration. This increase in unemployment affect youth of a country destroying future of many young people. During the European debt crisis, Greece, under IMF and EU supervision, implemented strict hiring freezes in public sector. Over the next few years, public employment fell by over 20pc, leading to reduced public service efficiency and a sharp rise in unemployment. The higher unemployment rate in countries that have taken IMF loans is due to IMF policies. Thus, increase in unemployment rate due to ban on new recruitment is the result of IMF bailout package.

Equally important, IMF bailout package leads to social unrest in the form of strikes, protests and sit ins. IMF conditionalities often have negative impacts on common people lives. These conditionalities result in price hikes, inflation, unemployment, and poverty which trigger widespread public dissatisfaction.

especially among most vulnerable population.

People come out from homes taking it to streets. They arrange sit-ins, strikes and protests against price hikes, inflation and unemployment. This brings instability to the country. For instance, in Pakistan, in 2023, after fuel prices soared due to IMF-mandated subsidies reduction, protests and strikes erupted across the country. Therefore, IMF bailout package leads to social unrest in the recipient country.

Last but not the least, IMF bailout package negatively impact local industries due to trade liberalization and high interest rates. To control inflation and stabilize currency, IMF often requires higher interest rates. This makes borrowing expensive for businesses, limiting the ability of local industries to expand or sustain operation. Similarly, IMF demands trade liberalization which opens up local markets to foreign competition, pushing local industries at disadvantage especially when they are less efficient and less technology advanced. This hinders local industrial growth. The State Bank of Pakistan raised interest rates to a peak of 22% in 2023 under IMF directives, stifling industrial growth. Industries reported reduced capacity utilization due to expensive financing. This stunted growth of local industries is because of IMF policies attached with the package. Thus, IMF bailout package negatively impacts

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local industries due to high interest rates and trade liberalization.

On the other hand, some argue that IMF bailout package is a road to stability as it brings economic stability to the recipient country. It provides financial support during the time of crisis. It increases economic growth of the country by bringing economic reforms. Moreover, it provides the government with breathing space to implement reforms and gradually regain economic stability. Besides, IMF-backed reforms can help reduce inflation which is crucial for economic stability.

However, it is far from reality as IMF bailout package deteriorates economic stability. For example, in Argentina, after receiving an IMF loan in 2018, the economy continued to deteriorate. The GDP contracted by 2.5% in 2018 and 2.1% in 2019. Therefore, IMF bailout package brings economic instability in the recipient country.

Similarly, IMF bailout package brings policy reforms that brings prosperity to the country receiving the package. IMF programs promote responsible fiscal management, reducing deficits and debts. Also, it helps establish a sound monetary policy framework promoting price stability and decreasing inflation. Moreover, it encourages flexible exchange rate regime by providing exchange rate policy and demands trade liberalization. All this leads to improvement in trade and competition.

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However, it is not true. In fact, these policy reforms have resulted in price hikes and inflation augmenting miseries of the poor people. For instance, Egypt agreed to IMF loan of \$12 billion in 2016, which led to fuel price hikes of upto 15%. Therefore, policy reforms attached with IMF loan hinder prosperity of a country due to high prices and inflation which increase miseries of the poor people.

Lastly, IMF bailout package increases employment rate and alleviates poverty by creating jobs through various projects.

IMF programs encourage investment which leads to job creation. They support private sector development and infrastructure development that result in employment opportunities and thereby reducing poverty. Similarly, IMF programs alleviate poverty by incorporating poverty reduction strategies, such as targeted social programs, and targeted interventions, such as conditional cash transfer. This benefits the poor and helps them meet basic needs of life.

However, in reality it is not the case. IMF programs lead to increase in unemployment and exacerbate poverty. For instance, in Greece, IMF program, in 2015-2018, led to 25% increase in unemployment and 40% increase in poverty. Therefore, IMF programs lead to increase in unemployment and exacerbate poverty in the recipient country.

To conclude, it can be said that IMF bailout package has severe negative

consequences for the recipient country. Some argue that IMF bailout package brings economic stability to the recipient country. They also argue that it increases employment rates and reduces poverty. However, they ignore the fact that countries receiving IMF bailout package are economically unstable and have increased unemployment rates and poverty. The conditionalities attached with this package leads to compromise on sovereignty and foreign policy of a country. It can also lead to dependency syndrome. Similarly, it decreases accountability in a country that leads to corruption. Additionally, IMF package causes inflation due to depreciation of currency of the country receiving it. Moreover, chronic dependency on IMF hampers good governance. Besides, austerity measures attached with IMF bailout package increase taxes, abolish subsidies and decrease governmental spending which hinder progress of a country towards prosperity. Furthermore, it leads to halt on government recruitment that results in increased unemployment rates. IMF has been created for the welfare of poor countries. However, its policies are creating problems for those countries who want to avail its services.