International Financial Institutes: A Road to Recovery or Debt Trap

OUTLINE:

01) Introduction:

Thesis Statement: International financial institutes lead states towards economic growth through technical and financial assistance. The institutions can also become a cause of perpetual vicious cycle of debt trap. However, they are providing debt repayment mechanism which maintain state's economic growth.

02) Role of international financial institutions.

03) International financial institutes are a road to economic recovery: (Thesis)

a) Provides expert advice to guide and enhance economic growth.

↳ case in point: Technical assistance of IMF to enhance taxation system

b) Institutions provide trainings and skills to empower and advance workforce.

↳ case in point: Training programs by World Bank

c) Financial assistance to member states facing balance of payment crisis.

↳ case in point: $4.5bn extended fund facility to Egypt in January 2023.

d) Finance states for better infrastructure and development

↳ case in point: Reconstruction and development committe of World Bank

e) Assistance in social development programs to uplift socio-economic status.

↳ case in point: Asian development bank from 2000 to 2020 $103 billion for education, poverty and health progress.

04) International financial institutes are dragging states towards debt trap: (Anti-thesis)

a) The assistance mechanisms are biased and based on western interests

b) Conditionalities imposed by such institutes undermine state's sovereignty

↳ case in point: Unfavorable conditions make states to compromise certain reforms and agenda's (IMF)

c) IFI's leads states towards a vicious cycle of debt trap.

↳ case in point: African states (Argentina etc)

d) Mismatched priorities leads towards underutilization and debt burden

e) Generalised reforms may exacerbate social unrest which hinder economic growth.

↳ case in point: WB Land reforms exacerbate social unrest

05) Despite having threats of debt trap, they have much more potential to revive economy: (Synthesis)

a) ~~States may customize the policy recommendations to reduce the~~

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b) States are sovereign entity; they have opportunity to accept or reject

↳ case in point: Iceland in 2008 rejected IMF loans

c) They themselves provide debt management strategies for sustainable economic growth

↳ case in point: Ghana debt to GDP ratio reduced from 133% to 70% with IMF support

d) Implement robust prioritisation mechanism for effective utilization of funds.

e) Standardized programs which align with every region ideologies and beliefs.

06) Conclusion

ESSAY:

~~In an era dominated by global economic interdependency, the international financial institutes has become~~

In an era dominated by global economic interdependency, The role of international financial institutions has became paramount. These institutions wield substantial influence in shaping the economic landscape of nations world wide. As countries seek financial assistance for development projects and for maintainence of balance of payment crisis (BOP). A crucial question raises on ~~their~~ intentions and interests of these institutions that they pave the way towards economic stability or a potential debt abyss. Therefore, to understand this, one has ~~have~~ to delve into unlocking the pandora's box of these institutions. They lead states towards economic growth through technical and financial assistance and can also become a cause of perpetual vicious cycle of debt trap. However, they are providing debt repayment mechanism which maintain the state's economic growth. Many believe that these institutions are providing a road to stability, such as, they provide expert advices to guide member states to enhance their economic growth. The institutions also work to provide trainings and skills to empower and advance workforce. Moreover, they ~~also~~ provide financial assistance to member states who are facing balance of payment crisis and finance them for advancement of infrastructure. The institutions are helping their member states ~~by~~ through assistance to uplift social status and enhance ~~econ~~ economic condition of the society. However, some argue against this notion and ~~cri~~ ~~provide~~ critique on the mandate of these financial institutions. They ~~say~~ argue that these institutions are dragging states towards debt traps through their bias mechanism, over-generalised policies and hard core conditionalities. Hence, despite having such critiques, the financial institutions have much more potential for the prosperity and stability of their member states.