

INTERNATIONAL ECONOMICS

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OVERVIEW

INTERNATIONAL ECONOMICS

- CH1: CONSEQUENCES OF INTERNATIONAL TRADE
- CH2: INTERNATIONAL PAYMENTS
- CH3: ROLE OF INTERNATIONAL MONETARY FUND (IMF)

CHAPTER 3 (LPD10): INTERNATIONAL MONETARY FUND (IMF)

1. IMF: WHAT & ROLE
2. CRITICISM
3. WORLD BANK

1. IMF: WHAT & ROLE

Case-study: Sri Lanka

Indian Ocean island state,
right next to India

22 million inhabitants

Known for tea and tourism



Problem:

- Sri Lanka faced severe balance of payments problems in 2022–2023
- could no longer afford essential imports (fuel, food, medicines)
- ended up in a debt and currency crisis

Causes:

- high external debts
- declining exports and tourism
- economic policy errors (e.g. tax cuts)

Solution: intervention by the International Monetary Fund (IMF)

In 2023, Sri Lanka received support from the International Monetary Fund through a **loan program of about $3 billion in exchange for reforms** (savings, reform state-owned enterprises, boost exports, budget in order, decreasing debt)

Objective: to **stabilize the balance of payments, restoring confidence in currency**

Sri Lanka's Tourism Sector Thrives

De economie van Sri Lanka groeide met 5,4% in het derde kwartaal van 2025

De economie van Sri Lanka groeide in het derde kwartaal van 2025 met 5,4% op jaarbasis, zo bleek maandag uit officiële cijfers. Dit duidt op een aanhoudend herstel van de ergste financiële crisis van het decennium in 2022.

Economie Sri Lanka kan toeristen goed gebruiken, en vooral van 'het luxe soort'

After a catastrophic economic collapse marked by sovereign default, high inflation, and political upheaval, Sri Lanka embarked on a difficult IMF-led recovery path. Against expectations, the country has shown surprising resilience—but the hardest reforms still lie ahead.

What is the IMF and what is its role?

The International Monetary Fund (IMF) is an international organization that helps countries maintain financial and economic stability.

The main roles are:
- monitoring the stability of the international monetary system
- providing financial assistance to countries with balance of payments problems
- providing policy advice and monitoring of the economic policies of member states



The member states pay a membership fee when joining the IMF: the so-called quotas. That money forms the institution's own capital.

BRETTON WOODS CONFERENCE 1944

Held in Bretton Woods, U.S.A., July 1944

Participants: 44 countries

Goal: international financial stability after the Second World War

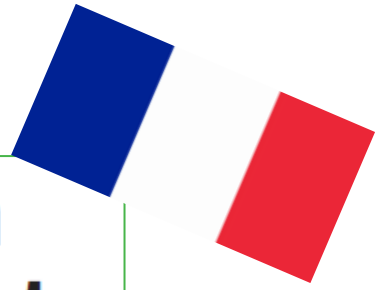
GATT
General Agreement on Tariffs and Trade

WTO
World Trade Organization

World Bank

IMF also monitors member states' economic policies and provides advice

IMF dringt er bij Frankrijk op aan groeiende begrotingszorgen aan te pakken



IMF looft hervormingen in België, maar roept op om groeiende staatsschuld aan te pakken



IMF waarschuwt voor hoge inflatie: 'Invloed op staatsschulden zorgelijk'



2. CRITICISM

less government spending, austerity



The IMF has often been guided by **liberal recipes for healing the economy**.
In poorer countries, these are sometimes experienced as **strangulation recipes that only increase inequality**. Countries that receive loans from the IMF often have to adhere to severe austerity measures that sometimes make the crisis worse instead of solving it.

Partly for this reason, the BRICS countries have set up their own emergency fund for crisis management.

Hundreds protest in Argentina against IMF deal



"This debt is the surrender of sovereignty ... The IMF will act as a sub-government, and we totally reject that."

The IMF loan was accompanied by severe austerity and less government spending.

Many Argentines felt that this led to more poverty, unemployment and social unrest.

3. WORLD BANK



The World Bank is an international financial institution that focuses on economic development and poverty reduction in low- and middle-income countries.

Main role=
financing and supporting development projects
such as infrastructure (roads, water, energy), education, healthcare, ...
with the aim of structural economic growth and poverty reduction.

Nigeria krijgt 1,57 miljard dollar financieringspakket van Wereldbank voor initiatieven op het gebied van onderwijs en gezondheidszorg



De Wereldbank heeft een financieringspakket van 1,57 miljard dollar voor Nigeria goedgekeurd ter ondersteuning van initiatieven op het gebied van gezondheidszorg, onderwijs en duurzame energie.

De fondsen zullen worden toegewezen om de toegang tot en de effectiviteit van de financiering voor basisonderwijs en eerstelijnsgezondheidszorg te verbeteren, bestuursproblemen aan te pakken en de veiligheidsmaatregelen voor dammen te verbeteren.

Het programma is gericht op ondersteuning van de inspanningen van het land om het leven van zijn burgers te verbeteren, waaronder het terugdringen van het aantal kinderen dat niet naar school gaat en het verminderen van de risico's op overstromingen.

There is a clear difference…

IMF	WORLD BANK
focuses on solving crises and achieving stability	focuses on long-term development (structural economic growth, reducing poverty)
both rich countries and poor countries	only developing countries