Developing the link between Macroeconomic policies and infrastructure development

Macroeconomics focus on how the decision making and performance of the economy is affected by the fluctuations of the national income and the business cycle (stages that a business goes through, for example, progressing from a decline into a boom). Macroeconomic policies exist in order to regulate the economic environment through exchange rate policies, monetary policies and fiscal policies. Developing a link means modifying these policies make it easier for countries to gain finances for infrastructural development such as telecommunications, transport and educational facilities.

Factors affecting macroeconomic policies and its link with infrastructure development:

| Bond financing | Bond financing is a long term loan taken by a state or a local government in order to obtain necessary finances for long term infrastructure assets. This may be done by selling bonds (such as municipal bonds, which are the construction of highways and other important public projects) to investors. However, using bond finance for external debt instead of relying on a syndicated loan poses risk of instability as it is complex to work out the total debt in case of a financial crisis and is affected by global interest rates. |
| International trade protectionist measures | Trade protectionism drags economic development and performance as it limits the consumer’s choice and increases inflation in the domestic nation. It means that less could be invested back into developing infrastructure. |
| External debt sustainability | Instilling new policies in place to allow better debt sustainability, for example, ensures that developing countries are able to fully meet their debt service obligations to either a foreign government or an international institution such as the International Monetary Fund (IMF) without detriment to the growth of their economy. Debt sustainability is also improving due to debt relief initiatives. |
Issue Brief
(General Assembly 2)

Consequences of the Issue

Infrastructural investments are key to sustaining economic growth as it increases the output of a nation and a high return in human capital investment due to education and health services. However, infrastructure is not a one off investment and needs to be developed over time to yield maximum results. It improves the quality of life in a country.

Potential Solutions/Guiding Questions

1. Redistributive measures and policies

2. Strategic planning to modify the patterns of productivity, ensuring that there is an effort made to raise the income and productivity in poorer, deprived areas of a nation

3. Improving monetary transmission mechanisms

Tianne Pane
Secretary General