<u>International Monetray Fund (IMF)</u>

Criticism of IMF Loans and Its conditions :

Creditor Dominance: The criticism is that the system of voting power distribution through a quota system institutionalizes borrower subordination and creditor dominance. The resulting division of the IMF's membership into borrowers and non-borrowers has increased the controversy around conditionality because the borrowers are interested in increasing loan access while creditors want to maintain reassurance that the loans will be repaid. Developed countries were seen to have a more dominant role and control over less developed countries (LDCs).

Excessive Collateral : Conditionality has also been criticised because a country can pledge collateral of "acceptable assets" to obtain waivers—if one assumes that all countries are able to provide "acceptable collateral".

Loss of Sovereignty : A Chief Criticism is that conditionality undermines domestic political institutions.The recipient governments are sacrificing policy autonomy in exchange for funds, which can lead to public resentment of the local leadership for accepting and enforcing the IMF conditions. Political instability can result from more leadership turnover as political leaders are replaced in electoral backlashes. IMF conditions are often criticised for reducing government services, thus increasing unemployment.
Former Tanzanian President Julius Nyerere, who claimed that debt-ridden African states were ceding sovereignty to the IMF and the World Bank, famously asked, "Who elected the IMF to be the ministry of finance for every country in the world?"
Critics have argued that IMF is part of new global power system where sovereignty is globalized, taking power and constitutional authority away from nations and giving it to global markets and international bodies. Some have even argued that this system institutionalises global inequality between western countries and the Majority World in a form of global apartheid, in which the IMF is a key pillar.

Unsuitable to Local Conditions : The IMF has been criticised for being "out of touch" with local economic conditions, cultures, and environments in the countries they are requiring policy reform. The economic advice the IMF gives might not always take into consideration the difference between what spending means on paper and how it is felt by citizens. Countries charge that with excessive conditionality, they do not "own" the programs and the links are broken between a recipient country's people, its government, and the goals being pursued by the IMF.
Jeffrey Sachs argues that the IMF's "usual prescription is 'budgetary belt tightening to countries who are much too poor to own belts'".Sachs wrote that the IMF's role as a generalist institution specialising in macroeconomic issues needs reform.

Standard Prescriptions : Another criticism is that IMF programs are only designed to address poor governance, excessive government spending, excessive government intervention in markets, and too much state ownership. This assumes that this narrow range of issues represents the only possible problems; everything is standardised and differing contexts are ignored. A country may also be compelled to accept conditions it would not normally accept had they not been in a financial crisis in need of assistance. IMF's very nature of promoting market-oriented approaches attracted unavoidable criticism**.** IMF is many a time insensitive to political aspirations of LDCs, while its policy conditions were inflexible.

Critics suggest that policies in countries with widely varying economic circumstances were misinformed and lacked economic rationale. The Fund worked on the incorrect assumption that all balance of payment problems were caused domestically and that IMF did not distinguish sufficiently between predominantly external created BOP as opposed to internal causes. This criticism was voiced in the aftermath of the 1973 oil crisis. Then LDCs found themselves with payment deficits due to adverse changes in their terms of trade, with the Fund prescribing stabilization programmes similar to those suggested for deficits caused by government over-spending. Faced with long-term, externally generated disequilibria, the G-24 argued for more time for LDCs to adjust their economies

Anti Poor : In Globalization and Its Discontents, Nobel Laureate Joseph E. Stiglitz, criticises IMF Programs which he has charged to increase income inequality. With Gini coefficient, it became clear that countries with IMF programs face increased income inequality. It is claimed that conditionalities retard social stability and hence inhibit the stated goals of the IMF, while Structural Adjustment Programs lead to an increase in poverty in recipient countries. The IMF sometimes advocates "austerity programmes", cutting public spending and increasing taxes even when the economy is weak, to bring budgets closer to a balance, thus reducing budget deficits. Countries are often advised to lower their corporate tax rate, which reduces their tax collection and consequently their ability to spend for pro poor programs. Some IMF policies are anti-developmental; deflationary effects of IMF programmes quickly led to losses of output and employment in economies where incomes were low and unemployment was high. Moreover, the burden of the deflation is disproportionately borne by the poor.

Impact on public health

An internal study of IMF in 2016, has concluded that the organisation has been "overselling" fiscal austerity policies and financial deregulation, which they claim has exacerbated both financial crises and economic inequality around the world. Another study of 2006 has shown that that the strict austerity conditions resulted in thousands of deaths in Eastern Europe by tuberculosis as public health care had to be weakened. In the 21 countries to which the IMF had given loans, tuberculosis deaths rose by 16.6%.

In 2009, a book by Rick Rowden titled The Deadly Ideas of Neoliberalism: How the IMF has Undermined Public Health and the Fight Against AIDS, claimed that the IMF's monetarist approach towards prioritising price stability (low inflation) and fiscal restraint (low budget deficits) was unnecessarily restrictive and has prevented developing countries from scaling up long-term investment in public health infrastructure. The book claimed the consequences have been chronically underfunded public health systems, leading to demoralising working conditions that have fuelled a "brain drain" of medical personnel, all of which has undermined public health and the fight against HIV/AIDS in developing countries.

IMF policies in Africa have been criticized that they undermine any possibility of meeting the Millennium Development Goals (MDGs) due to imposed restrictions that prevent spending on important sectors, such as education and health.

Food Access denial
A number of civil society organisations[138] have criticised the IMF's policies for their impact on access to food, particularly in developing countries. In October 2008, former United States president Bill Clinton criticized the World Bank and IMF for their policies on food and agriculture:We need the World Bank, the IMF, all the big foundations, and all the governments to admit that, for 30 years, we all blew it, including me when I was president. We were wrong to believe that food was like some other product in international trade, and we all have to go back to a more responsible and sustainable form of agriculture.

The New Colonisation : It has been argued that IMF 's policies amount to a new form of colonization that does not need a military presence. Following the exigencies of the governments of the richest companies, the IMF, permitted countries in crisis to borrow in order to avoid default on their repayments. Caught in the debt's downward spiral, developing countries soon had no other recourse than to take on new debt in order to repay the old debt. IMF under pressure of the Rich countries gave loan on the condition that the concerned countries first use this money to reimburse banks and other private lenders, while restructuring their economy at the IMF's discretion. Like Shylock, under Structural Adjustment Programs, the IMF team took control of the borrowing countries' economic policies. A new form of colonization was thus instituted. It was not even necessary to establish an administrative or military presence; the debt alone maintained this new form of submission.

Politicized decision : International politics play an important role in IMF decision making. The clout of member states is roughly proportional to its contribution to IMF finances. The United States has the greatest number of votes and therefore wields the most influence. Domestic politics often come into play, with politicians in developing countries using conditionality to gain leverage over the opposition to influence policy.

Impact on environment
IMF policies have been severely criticised for making it difficult for indebted countries to say no to environmentally harmful projects that nevertheless generate revenues such as oil, coal, and forest-destroying lumber and agriculture projects. Ecuador, for example, had to defy IMF advice repeatedly to pursue the protection of its rainforests, The IMF acknowledged this paradox in the 2010 report that proposed the IMF Green Fund, a mechanism to issue special drawing rights directly to pay for climate harm prevention and potentially other ecological protection as pursued generally by other environmental finance.

Need For reform in Approach

The IMF is only one of many international organisations, and it is a generalist institution that deals only with macroeconomic issues; its core areas of concern in developing countries are very narrow. One proposed reform is a movement towards close partnership with other specialist agencies such as UNICEF, the Food and Agriculture Organization (FAO), and the United Nations Development Program (UNDP) and World Bank.

Jeffrey Sachs argues in The End of Poverty that the IMF and the World Bank need to coordinate their approach in solving the problem is development economics. He notes that IMF loan conditions should be paired with other reforms—e.g., trade reform in developed nations, debt cancellation, and increased financial assistance for investments in basic infrastructure. IMF loan conditions cannot stand alone and produce change; they need to be partnered with other reforms or other conditions as applicablle