**Life after IMF**

BY AQDAS AFZAL 2021-08-02

THE IMF has raised several warning flags on the economic challenges facing developing countries in its latest World Economic Outlook. Essentially, the world is now firmly in the clutches of a `two-track recovery`, where due to strong fiscal and monetary support and rapid vaccinations, rich countries are showing very robust economic growth the US will have the strongest growth since 1984. However, in the case of developing countries a large number are falhng further behind because they lack the fiscal or monetary resources or access to vaccines. In order to tackle these serious and urgent challenges there is now a dire need to reimagine and redesign the IMP.  
  
Amid the ruins of World War II, as the victors debated the contours of the new economic world order, John Maynard Keynes proposed an `International Clearing Union` which could confiscate rich countries` persistent trade surpluses and offer them to poorer ones, thereby making sure that the gains from trade would accrue to all nations.  
  
The US delegation, however, was in no mood for sharing its reserves or power with anyone. The US proposal for an `International Monetary Fund` sought to maintain the supremacy of the US dollar by making it the sole currency convertible into gold.  
  
This IMF-directed international economic order has not really worked for the developing countries judging by the lack of convergence between rich and developing countries` living standards. Some economists have shown that it would take most developing countries between 170 and 200 years to catch up with the living standards of the US provided these countries grow two per cent more than the US every year. This was before Covid-19.  
  
The Covid-19 pandemic has further exposed the economic fragilities of developing countries. Where rich countries have been able to inject more than $11.5 trillion as stimulus, developing countries have been pleading to get their loan payments deferred. Where the incidence of poverty has almost not budged in the US, almost 20 million people have fallen below the poverty line in Pakistan alone. On top of all this, lack of access to vaccines because rich countries do not want to donate even their surplus vaccines will only make life difficult for people residing in developing countries.  
  
Recently, and under pressure from the developing countries, some efforts have been made for reforming the IMP. For starters, IMF is in the process of issuing a historic stimulus of around $650 billion.  
  
However, the IMF is planning to allocate this stimulus or Special Drawing Rights(SDRs) on the basis of existing quotas and not on the basis of need.  
  
According to this formula, Pakistan would get about $2.8 bn, where the US would rake in about $113bn. Against the backdrop of massive economic devastation in developing countries, the IMF needs to not only increase this stimulus to at least $1tr, but also distribute it on population and reverse quota basis, meaning that bigger countries with smaller quotas like Pakistan would obtain a significant share of these SDRs.  
  
The IMF has also rightly highlighted vaccine inequality as the prime reason behind gaps in the ongoing economic recovery between rich and developing countries. As such, developing countries of the world are woefully behind in vaccinating their populations; some countries in sub-Saharan Africa have completely run out of the vaccines they received under the Covax programme. The cost of vaccinating at least 40pc of the people in the entire world has been calculated at $50bn by the IMF itself.The IMF should push for this money to be paid through the upcoming stimulus. For a better world, the IMF also needs to take the lead in making a case for reform in the sharing of life-saving technologies or pharma patents between the rich and the developing countries especially during pandemics.  
  
The economic gap between the rich and the developing world is as wide as ever. The IMF may have representation from the developing countries but at less than 1pc of the votes each for Indonesia, Pakistan and Nigeria it is not the best design for safeguarding the interests of the developing world.  
  
In order for the IMF to make tangible value addition in the lives of those residing in the developing world, the time has come for some serious reforms. The institution would perhaps need to be redesigned in order to be made more representative as well as more accountable with respect to its policies. This is probably what Keynes also wanted to achieve through his proposal of setting up an `International Clearing Union`. What would this world have looked like if his proposal had been pursued instead? The writer completed his doctorate in economics on a Fulbright scholarship.  
  
aqdas.afzal@gmail.com