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DETRIMENTAL IMPACT OF SAPs OF IMF ON THE REALIZATION OF THE RIGHTS UNDER ICESCR

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Abstract

The Structural Adjustment Programs of International Monetary Fund are a subject of considerable public scrutiny in many post – colonial countries. It is argued that these programs are extremely detrimental to the social and economic rights of the low – income stratum of society. International Covenant of Economic, Social and Cultural Rights outlines considerable rights which the States must abide to fully implement the concept of 'social justice'. However, the adoption of these Structural Adjustment Programs results in further dependency of the post – colonial countries on the global economic decisions in which they have no agency. As a result, the economic vulnerability of the low – income people are increased due to these programs, and they are exposed to the exploitation of the global market. Moreover, the capacity of the States to implement the social reforms directly, indirectly, and incidentally is constricted due to these programs which trap the States in such a way that they are unable to fulfil their legal obligations under ICESCR despite subscribing to them in principle.

Keywords: International Human Rights Law, International Economic Law, International Monetary Fund, Structural Adjustment Programs, Labour Law, ICESCR

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Introduction

The Structural Adjustment Programs (the "SAP") of the International Monetary Fund (the "IMF") has caused considerable infringements of the responsibilities of the developing States to which they are obliged under International Covenant of Economic, Social and Cultural Rights (the "ICESCR"). The analysis of the impact of the SAPs of IMF requires perusal of the technical pillars of these SAPs. Some common elements of these SAPs include fiscal consolidation measures. These measures generally require that the government reduce its expenses like administrative and social security expenses. There should also be external sector reforms which include trade liberalization, exchange rate policy modifications like a flexible exchange rate and capital account liberalization. Financial sector reforms are also a part of these SAPs as IMF generally requires the governments to liberalize regulations pertaining to interest rates. Lastly, external debt issues also relate to these SAPs and they regulate the country's external debt and arrears. For instance, IMF might require from a country that external debt with maturities of one year or less should not exceed a certain amount.[1] Thus, mostly SAPs are centered on the central principles of neo – liberalism which include stabilization of exchange rate, inflation and balance of payments; liberalization of flow of trade and capital via removal of tariffs; deregulation involving removal of the heavy machinery of government and privatization of State Owned Enterprises.[2] Considering the main elements of these SAPs, different areas enshrined in ICESCR such as creating equality and providing social coverage to the poor; improving labour employment conditions and provision of health shall be now perused in light of the responsibilities of the States.

Responsibilities of the States under ICESCR

Before the impact of the SAPs of IMF is discussed, it is important that the responsibilities of the States as well as the extent of them under ICESCR are outlined to later establish causality between the liberal economic theory and legal obligations under ICESCR. The main responsibilities upon the States under ICESCR stem from

[1] Timon Forstera, Alexander E. Kentikelenis, Bernhard Reinsberg, Thomas H. Stubbs, Lawrence P. King, 'How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality, 1980–2014', (2019) 80 Social Science Research 83, 85

[2] Michael Thomson, Alexander Kentikelenis and Thomas Stubbs, 'Structural adjustment programmes adversely affect vulnerable populations: a systematic-narrative review of their effect on child and maternal health' (2017) 38 Thomson et al. Public Health Reviews 1, 3

the Article 2(1) of the ICESCR which requires that the States must take steps and act towards the goals enshrined within ICESCR in a ‘clear, concrete and targeted manner’.[3] Moreover, all appropriate means must be taken to ensure the effectiveness of these goals which include but are not limited to the adoption of legislative measures as well as the provision of judicial remedies along with financial, educational and administrative measures.[4] ICESCR recognizes that economic, social and cultural rights cannot be achieved in a short time, but they should be considered in a most effective and expeditious way possible without any retrogressive measure, unless extremely required, so that the actions of States do not hamper the process of realization of economic, social and cultural rights (the “ESR”).[5] ICESCR also requires that the minimum essential level of the rights must be accorded in the form of minimum core obligations, and if a State is not fulfilling such rights, the State is breaching the duties under ICESCR. However, such an assessment of breach must be taken in the light of the resources available to the States, and that the States are making use of ‘all available resources’.[6] Moreover, even in times of extreme crises, the States should protect the most vulnerable of the society by the adoption of the low-cost programs.[7] Therefore, in this process, the States should operate individually or even take assistance from other States or technical bodies. [8] In light of these obligations, it can be stated that ESR require not only a negative duty from the States to not infringe upon these rights, but also require that the States actively provide such rights with a positive duty.[9]

Various types of rights are present within ICESCR which the States are required to effectively provide. These rights *inter alia* include the right to work with dignified fair environment as well the right to form trade unions and conduct a strike.[10] Article 9 of ICESCR further provides a right of social security which includes its availability, adequacy, and accessibility. Thus, a stable healthcare, unemployment benefits as well as cash programs for vulnerable people like old people and sick people along with

[3] United Nations Office of the High Commissioner for Human Rights, ‘General Comment No. 3: The Nature of States Parties' Obligations (Art. 2, Para. 1 of the Covenant)’ (14 December 1990) E/1991/23, Para 2
[4] Ibid, para 3, para 5 and 7
[5] Ibid, para 9
[6] Ibid, para 10
[7] Ibid, para 12
[8] Ibid, para 14
[9] Philip Alston and Gerard Quinn, ‘The Nature and Scope of States Parties' Obligations under the International Covenant on Economic, Social and Cultural Rights’ (1987) 9 Human Rights Quarterly 156, 184
[10] International Covenant on Economic, Social and Cultural Rights (adopted 16th December 1966, entered into force on 3rd January 1976), C.N 781. 2001 art 6,7 and 8

maternity benefits must be part of the social security.[11] Article 11 of the ICESCR further enshrines that adequate food, clothing and housing should be provided along with an effective provision of mental and physical health. Article 13 of the ICESCR also provides that the States should accord right to education at all levels while Article 15 of the ICESCR consider the right to enjoy cultural life of utmost importance. Lastly, it must be noted that most of the interpretations of ESR require that States fulfill, respect and protect these rights while also ensuring availability, accessibility, affordability, accessibility and quality of these right without any discrimination especially in relation to rights such as housing and health.[12] This general understanding is best demonstrated in the General Comment Number 24 of the Committee on Economic and Social Rights wherein it was stated that States should respect, protect and fulfill the obligations considered in ICESCR and should not prioritize the interests of the businesses.[13] Therefore, they must create accountability mechanisms and remedies to address any such violations. [14]

Impact of SAPs of IMF on the Economic Situation of a Developing Country

Creation of Dependency

Considerable economic research shows that IMF's SAPs provides support for the dependency theory in relation to the States of the developing world.[15] For instance, in case of deforestation, the dependency theory shall argue that nations must increase exports so that it can re-pay its financial obligations like financial interests or principal payments. For that to happen, currency shall be devalued and the consequent demand for the increased exports shall be met through extraction of resources such as mining or extracting wood. Moreover, SAPs also require that the government should liberalize trade barriers which does not restrict foreign investments and imports. Thus, tax holidays, concession in permits and less import duties need to be provided.

[11] UN Committee on Economic, Social and Cultural Rights (CESCR), 'General Comment No. 19: The right to social security (Art. 9 of the Covenant), 4 February 2008, E/C.12/GC/19 Para 9 - 28
[12] UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 4: The Right to Adequate Housing (Art. 11 (1) of the Covenant), 13 December 1991, E/1992/23 Para 6, 7, 8 and 9; UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12 of the Covenant), 11 August 2000, E/C.12/2000/4, Para 12
[13] UN Committee on Economic, Social and Cultural Rights (CESCR), General comment No. 24 (2017) on States obligations under the International Covenant on Economic, Social and Cultural Rights in the context of business activities, 10 August 2017 Para 12, 14 and 23
[14] Ibid Para 38
[15] John M. Shandra, Eric Shircliff, 'The International Monetary Fund, World Bank, and structural adjustment: A cross-national analysis of forest loss' (2011) 40 Social Science Research 210, 243

As a result, the private corporations further extract resources and contribute to deforestation by procuring protected areas. This investment would allow the generation of foreign currency which shall again just allow the debt repayment obligations. SAPs shall also involve privatization of government assets as public lands and titles might be sold to the foreign companies which shall further allow the companies to establish profitable endeavours on land endowed with natural resources such as forests. This selling of public lands is often accompanied with the restrictions which also economically hurt local community like the free – movement of animals on which they rely for food and income. Deforestation is further exacerbated when the SAPs require that the government cuts its spending, and the staff such as the ones employed in conservation department be slashed. As a result, government's ability to enforce environmental regulations and to ensure demarcation of land is reduced. The revenue of the government also is reduced due to tax breaks provided to these corporations for the investment and cutting of subsidies also increases the chance that people start indulging in deforestation in the way of cutting trees or expanding agriculture to supplement their incomes. Lastly, when the natural resources are allowed to be extracted and exported, the value-added industries such as manufacturing start employing the poor labour less which cause further unemployment. Thus, in Philippines in 1990s, due to the SAPs of IMF, the real wage was reduced by more than 20% and the capital city Manila recorded the highest number of unemployment. The result was that people stopped migrating to cities and cleared forests for growing crops.[16] In light of this whole process which was caused through forest loss, the government lost its ability considerably to implement the right to health and employment which further violated the right to food and shelter.

<u>Premium on Capital and Premium on Wage</u>

It is observed that, pursuant to SAPs of IMF, the wages and conditions of labour deteriorate while the people with capital reap the benefits of any growth rate. Governments, which enter IMF SAPs, have the labour share of income lowered by 3%.[17] Thus, prior to entering IMF programs, the capital is generally doing worse than the labour. An archetype of this process was observed in Ecuador where the labour

[16] Ibid, 214
[17] James Raymond Vreeland, 'The Effect of IMF Programs on Labour' (2002) 30 World Development 121, 132 - 133

share of the market was 52.8%, but it plummeted to 34.8% after the government entered the IMF program in 1983. The economic growth reduced by 5.76%, but the income of the capital grew by 36%.[18] This change in labour share of economy is primarily prompted by the IMF's desire to collude with the local elites, and they devise policies which consider the burden of adjustment on the poorest of the people as they advise wage restraints; removal of price controls and subsidies as well as the devaluations currency which cause inflation and only increase the exports.[19] Moreover, IMF's seal of approval, rather than reducing inflation or balance of payment equilibrium, also just attract more capital flows rather than the long – term balance of payment equilibrium. [20] Most of the IMF programs cause increase in inflation and does not reduce them rather accelerate them even further. It was reported that this rate was much more in the countries receiving IMF loans as compared to those countries which was not receiving such programs. This was especially observed in Latin America as inflation increased rapidly there after IMF programs.[21] Thus, the rosy picture of growth also just remains a mirage while States loses the ability to enforce right to work.

<u>Impacts of Liberalization within SAPs on Right to Work</u>

SAPs often are accompanied with the disintegration of the power of labour organisations and the wage guarantees. When it is coupled with the absence of State capacity to enforce legal protections, the corporations will simply be able to counter labour laws by conveniently ignoring them. It was observed in Indonesia in 1990s where the companies started to make employees sign flexible labour contracts after the labour laws were brought in line with the recommendations of International Labour Organisation. Thus, it was no surprise that strong labour rights, even though they are not inherently incompatible with the growth of economy, are considered to be detrimental for growth and their deregulation allows the rights of workers as something which comes only after the business interests are fulfilled. Therefore, openness of the local markets to international pressure are accompanied with the deregulation of the local labour market making the labour vulnerable to external competition causing their

[18] James Raymond Vreeland, 'The Effect of IMF Programs on Labour' (2002) 30 World Development 121, 132 - 133
[19] Manuel Pastor JR, 'The Effects of IMF Programs in the Third World', (1987) 15 World Development 249,257 -258
[20] Ibid, 253
[21] Ibid, 259

bargaining power to reduce and their right to work be violated.[22] This is especially observed with the rise of communication networks where the assembly lines are contracted and sub – contracted. Therefore, different components of the same machine are produced in different countries where the labour is cheap precisely because of the policies encouraged by the SAPs of IMF such as creation of free economic production zones in which there are no regulations and less bureaucracy of the States. Moreover, such kind of Foreign Direct Investment (the "FDI") results in westernization of the local culture and it ripens the population for migration abroad in terms of culture which the developing world generally encourages due to the addition of remittances which is then again used to service these debts. The remittances by migrants are usually at the cost of sacrificing their own culture as well as are highly exploited through payment of low wages and sub – quality food.[23] Thus, FDI violates both right to provide adequate right to work as well as the right to live in an environment of cultural familiarity.

Trade liberalization also increases the size of the economy which is not documented and results in a large informal sector where the guarantees to labour such as minimum wage or employment regulations such as worker's benefits simply does not apply.[24] It implies a clear infringement of the right to dignified work under ICESCR. This is especially evident in developing countries where a large proportion of the population is in the informal sector, and this incentivizes the investing companies to employ people from such economy as it maximizes their profits by paying less and providing less benefits.[25] IMF generally views that the firms invest more when the labour markets are flexible, and the firms have to invest less in the costs which are related to their protection of the labour. An example of this was observed in Morocco in 2011 where the IMF recommended the deregulation of fixed term contracts as well to reduce statutory protections of labour. Portugal also increased the retirement age as well as weakened the use of collective bargaining pursuant to IMF programs. It also aimed to synchronise the labour law applicable on private and public sectors especially in

[22] Robert G. Blanton & Dursun Pekson 'Economic liberalisation, market institutions and labour rights' European Journal of Political Research 474, 482
[23] Sarah Babb, 'The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates' (2005) 31 Annu. Rev. Sociol 199, 216
[24] Pinelopi Koujianou Goldberg, Nina Pavcnik 'Trade Inequality, and Poverty: What do we know? Evidence from recent trade liberalization episodes in developing countries' (2004) Nber Working Paper Series 10593 23 - 24
[25] Pinelopi Koujianou Goldberg, Nina Pavcnik 'Trade Inequality, and Poverty: What do we know? Evidence from recent trade liberalization episodes in developing countries' (2004) Nber Working Paper Series 10593 23 - 24

relation to termination rules.[26] The logic of 'flourishing economy' while subscribing labour reforms along with trade liberalization is a considerable myth busted by IMF itself when the IMF programs have provided less stringent labour condition in their SAPs when the elections of the recipient country were nearby since government was less willing to accept any such demands, but the attitude was quite different when the SAP was offered after the elections. [27]

It must also be noted that the liberalization of capital account also considerably restricts the ability of the government to enforce labour rights and provide sufficient income for the lower segments of the population to afford reasonable shelter, food and living which increases their vulnerability in comparison to the employer. It is observed that capital account liberalization is generally complemented by an increase in the profit to wage share. Thus, it was observed that, pursuant to SAPs of IMF, the return from labour was much less than return from capital. As a result, the financial globalization only benefits the already rich as the liberalization of capital account increase the *gini* coefficient which measures inequality by about 0.8 % after 1 year of liberalization reforms and 0.7 – 3.5% after 5 years of liberalization.[28] This is especially observed in those countries where the system is not financially inclusive as especially observed in the developing world.[29]

<u>Increase in Inequality</u>

Considerable inequality is observed pursuant to IMF's SAP which result in elite capture of government and the States are considerably restrained in its ability to effectively guarantee ESR. The fiscal consolidation measures result in less government spending into the economy which naturally cause unemployment. The recommendation within SAPs to increase interest rates to decrease inflation also causes mostly the rich to benefit as they are mostly the creditors while the poorest of the society are the debtors. Thus, if poor does not have access to financial market as is often the case in developing countries, any attempt to lower inflation is not translated into any real

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[26] Thomas Stubbs and Alexander Kentikelenis, 'International financial institutions and human rights: implications for public health' (2017) 38:27 Stubbs and Kentikelenis Public Health Reviews 5-10
[27]SJ Rickard and Teri L. Caraway,' International Negotiations in the shadow of national elections' (2014) 68 International Organization 701, 713
[28] David Furceri, Prakash Loungani, 'The Distributional effects of Capital Account Liberalization' (2018) 130 Journal of Development Economics 127, 139 - 140
[29] David Furceri, Prakash Loungani, 'The Distributional effects of Capital Account Liberalization' (2018) 130 Journal of Development Economics 127, 139 - 140

benefit to the poor and the independent nature of the central banks pursuant to IMF SAPs results in the government to have no influence in protecting the poor. Limitation on external debt also causes the outstanding bonds of the richest people to increase in value and prompts them to invest more in the market simultaneously as the government is required to lower their budget deficit by cutting on social spending.[30] All of these factors, thus, increase *gini* co-efficient which represent increased inequality in the market causing almost all violations of ESRs.[31]

Investment Creation and ESRs

Although IMF pays lip – service that government should invest a certain percentage on pro - poor policies, but the effect of its SAPs disproportionately is centred towards external debt repayment which is in the dollar denomination and countries generally repay it by exporting the raw materials and resources from their debt -ridden country abroad. All these use of resources to service debt results in the shrinking of social welfare programs which are in a way prompted by the SAPs of IMF themselves. The SAPs also generally strengthen the legally protective environment for private companies and provide them favourable conditions for investment which subsequently results in the increase of their bargaining power in relation to States and citizens. It is generally observed that these private companies also have resisted demands of social welfare. Thus, in the race of attracting foreign investment for debt servicing and providing employment, the developing countries often race to the bottom in terms of social security as they are competing among themselves for the foreign capital into their country. The quest of IMF through SAPs to make encourage FDI also make the States to sign Bilateral Investment Treaties which are often inequitable in character and result in accumulation by dispossession as the States are even bound by these treaties to be accountable to World Bank's International Centre of Settlement of Investment Disputes (the "ICSID") which often gags them from taking any divergence.[32] It was very recently observed by a 6-billion-dollar penalty on Pakistan in the *Reko diq* case which is the amount almost equal to the country`s recent IMF loan.

[30] Timon Forstera, Alexander E. Kentikelenisb, Bernhard Reinsberg, Thomas H. Stubbs, 'How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality', (2019) 80 Lawrence P. King Social Science Research 83, 84 - 86

[31] Ibid, 96 - 97

[32] B.S Chimini, 'Capitalism, Imperialism, and International Law in the Twenty-First Century' (2012) 14 Oregon Review of International Law 17, 30 -32

Thus, the system which attract FDI dismantles the social welfare program which ultimately translates into less provision of accessibility to rights such as health and education.[33]

<u>Social Security and IMF SAPs</u>

One of the ways through which IMF require the governments to modify fiscal issues is through provision of general and targeted fiscal conditions. The former does not specify the sector in which the government needs to cut down expenses to reach the aggregate target while the latter does require the government to cut down expenses in a particular sector. Thus, in targeted fiscal condition, there is more chance that a government will reduce its wage bill to meet the aggregate demand. Benin is a good example as IMF required the government to cut its wage bill to 4.6% of the Gross Domestic Product (GDP).[34] These targeted conditions are very potent since non – compliance can cause suspension or delay of the funds and the trust of foreign investors is also deterred. An example was observed in Egypt and Tanzania where the former received general public sector conditions while the latter received targeted public sector conditions. As a result, Tanzania's lost the employment in civil service employment by 8%. Egypt did not receive such a condition and it was able to meet deficit target although it increased public sector spending by 12%.[35]

It must be noted that only 10 percent of the IMF programmes entail within it a condition which relate to making social security nets robust. [36] However, many of the IMF programs from 2006 – 2009 in low – income countries recommended the concept of social spending floors which varied substantially from one country to another. For instance, Lesotho's program only applied to 2 percent of the total spending.[37] It was also noticed that the developing countries such as Liberia and Sierra Leone had to limit their social expenditures even during crises such as Ebola outbreak to follow the expenditure limits within the IMF SAPs. Moreover, IMF SAPs for the Greek program

[33] Sarah Babb, 'The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates' (2005) 31 Annu. Rev. Sociol 199, 206 - 207
[34] Stephanie J. Rickard1 & Teri L. Caraway, 'International demands for austerity: Examining the impact of the IMF on the public sector' (2019) 14 Rev Int Organ 35, 41
[35] Stephanie J. Rickard1 & Teri L. Caraway, 'International demands for austerity: Examining the impact of the IMF on the public sector' (2019) 14 Rev Int Organ 35, 41
[36] Liam Clegg, 'The IMF Record on Social Protection: Pro-poor or Poor?' (2017) Assessment: The IMF and Social Protection Washington, 699, 701 - 702
[37] Liam Clegg, 'The IMF Record on Social Protection: Pro-poor or Poor?' (2017) Assessment: The IMF and Social Protection Washington, 699, 701 - 702

even violated the fundamental right of their citizens to be provided with social security.[38] The social spending floors are often non – binding while budget ceilings are often binding which cause poorest countries to cut their social security funding. For instance, Benin which fulfilled only 34.5% of the priority spending floor between 1995 to 2005 reduced spending on the social security in 2005 so that it can fulfil the fiscal objective purported by IMF. [39] Thus, the fiscal adjustment policies are at the cost of social security spending.

Conditional cash transfers have also become an important policy mechanism though social protection regimes are enabled as they require the recipient of the program to complete a certain welfare – enhancing action like vaccination of a child. However, the use of these tactics by the IMF in the middle and low-income countries have resulted in politicization of the social security programs as well as has resulted in the erosion of long-term support for the social security programs as the incidental effect of these programs were to classify the recipients of social security recipients as the ‘other’ who need assistance. Since it is portrayed that these programs are only for the very poor of the society, therefore, it is assumed that there is no need that they should be of any effective quality which reduced the quality of these provisions. The levy of the Value Addition Tax (the “VAT”) on consumption generally present in SAPs also does not result in the use of these monetary resources for the social security programs as most of this tax income is used to fund the budget deficits. VAT also is a regressive form of taxation as it serves the same tax on different streams of income which lowers the quality of livelihood including food and shelter for the poor.[40] The tax recommendations of the IMF mostly results in the reduction of economic rights of the poor people. Generally, it is observed that income taxes which are mostly progressive in nature must be used for reducing the deficit in budgets as well the government debt. It increases the distribution of income in the economy as well as able to fund welfare programs. However, most of the IMF programs require the governments to cut social

[38] Liam Clegg, ‘The IMF Record on Social Protection: Pro-poor or Poor?’ (2017) Assessment: The IMF and Social Protection Washington, 699, 701 - 702

[39] Thomas Stubbs and Alexander Kentikelenis, ‘Targeted social safeguards in the age of universal social protection: the IMF and health systems of low-income countries’ (2017) Critical Public Health 1, 3 -5

[40] Liam Clegg, ‘The IMF Record on Social Protection: Pro-poor or Poor?’ (2017) Assessment: The IMF and Social Protection Washington,699, 702 - 705

spending and propose VATs which reduces the consumption of the low – income groups and subject them to a tax which decreases their purchasing powers. [41]

Right to Health and IMF SAPs

Considerable impact has been observed on SAPs of IMF on the right to health. The impact of SAPs on healthcare is observed both through direct and indirect ways. The IMF policies to depreciate currency increases the costs of imported drugs and high – tech hospital equipment. As a result, the government even if does not cut social spending, would be able to cater less people. Conditions such as spending targets can impact health sector as the impact of IMF can cause contraction of the economy and the spending targets could potentially operate as spending ceilings. Policies which re - orient health sector can cause privatization of the health sector and can encourage cost – sharing of health services as well as de – centralization of health services. Any income generated through such health policies is often re – routed to pay off the debt and reduce fiscal deficit. Similarly, the indirect effect of the conditions results in no fiscal space for funding health programs.[42] Thus, it is no surprise that the effect of IMF SAPs has indirectly reduced the protective effect of parents on their child's malnourishment by 17%.[43] Moreover, it was reported that additional 360 maternal deaths per 100,000 live births are caused by the SAPs of IMF.[44] Indirect effects such as reduction in tariff revenue due to trade liberalization also impacts health care. Trade liberalization policies were one of the biggest causes for the HIV epidemic in Sub – Saharan Africa. Unemployment caused by the privatization of State – owned resources and social security resulted in increase in the violations of the right to health – care of many people especially women and children as observed through this fact that 150,000 workers were displaced in Ghana after 42 States owned enterprises were privatized. Such displacements often accompany increase in commercial sex work which further increase sexually transmitted diseases as well as complications in childbirth.[45]

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[41] Luca Agnello and Ricardo M. Sousa, 'How does Fiscal Consolidation impact on Income Equality?' (2014) 60 Review of Income and Wealth 702, 718, 724

[42] Alexander E. Kentikelenis, Thomas H. Stubbs, Lawrence P. King 'Structural adjustment and public spending on health: Evidence from IMF programs in low-income countries' (2015) 126 Social Science and Medicine 169, 171

[43] Michael Thomson Alexander Kentikelenis, and Thomas Stubbs 'Structural adjustment programmes adversely affect vulnerable populations: a systematic-narrative review of their effect on child and maternal health' (2017) 38:13 Thomson et al. Public Health Reviews, 6 - 8

[44] Ibid, 9

[45] Ibid, 12

Increase in deregulation and privatisation also cause inability of the people to pay for water resources which results in the intake of dirty water causing serious health as well as food problems. Privatization, trade liberation and currency devaluation also increase prices of food which results in malnutrition which further violates the right to food as well cause subsequent health problems.[46] Thus, each additional IMF condition cause decrease in health expenditure per capita by 0.25% with shortage of medical supply.[47] The UN Human Rights Council reported that reduction in spending of government in countries like Cyprus and Greece caused decrease in hospital beds, healthcare staff and waiting time to access healthcare. It must be noted that State – Owned Enterprises provides healthcare to employees of public enterprises, but these benefits are not provided after privatization, which does restrict the right to health of a segment of population. [48] The effects of the SAPs of IMF are best demonstrated in Sierra Leone which was required to cut down public sector spending. As a result, the number of physicians were reduced from 0.033 per 1000 inhabitants in 2004 to 0.016 in 2008.[49] It was also reported that one additional condition of IMF can cause a reduction of 0.036 dollars per person in healthcare. Moreover, the average number of 25 conditions per year cost a reduction of 0.91 dollars per capita in healthcare.[50] The effect of privatisation of healthcare were even visible in a developed country such as Spain as the public health agencies and city councils were not fully powerful and had more tilt towards economic and financial groups benefiting from the less government intervention in healthcare system. This caused enormous violations of right to health especially during pandemic.[51]

[46] Ibid, 14

[47] Thomas Stubbs and Alexander Kentikelenis, 'International financial institutions and human rights: implications for public health', (2017) 38:27 Stubbs and Kentikelenis Public Health Review, 6

[48] Ibid 4

[49] Thomas Stubbs, Alexander Kentikelenis, David Stuckler, Martin McKee, Lawrence King 'The impact of IMF conditionality on government health expenditure: A cross national analysis of 16 West African nations' (2017) Social Science & Medicine 221, 223

[50] Ibid, 225

[51] Vicente Navarro, 'The Consequences of Neoliberalism in the Current Pandemic' (2020) 50(3) International Journal of Health Services 271, 274 - 275

Conclusion

In summation, it can be stated that IMF SAPs substantially reduces the capacity of the government to function effectively in terms of its machinery which lessens its ability to realize its ESR requirements. SAPs can require the government to reduce employees or cut down their benefits as well as merge ministries. As a result, the government employees can become both demotivated as well fear for their survival which hampers their ability to function effectively. Some conditions require the government to sell off State – Owned Enterprises as they are sluggish under a public bureaucracy as well as a cause of fiscal deficit. These organizations are also an arm of the government to function effectively. Thus, in the quest to achieve 'balance of payment' viability, the IMF can make a government quite ineffective as it reduces the contact of the government with market which causes less flow of information between the market and government. In light of these conditions, it is no surprise when it was observed that the privatization has caused decline in bureaucratic quality by 8.64 points.[52] Moreover, it must be noted that the agency slack is also observed in IMF when it is observed that there is considerably high costs of information and control within IMF and that agents of IMF has substantial leeway to push policies which favour their own ideological principles as well which further their own interests of continuance relevance within the global arena. Thus, there is a possibility that far - reaching conditions are agreed as well as larger loans are drawn which was not the best possible solution economically. The major shareholders of the IMF also push their own agenda as they want their debt to return as well as most of the multinationals from their own country can invest in liberal environment of developing countries with lower taxes and restrictions so that they can exploit their labour and natural resources. Through these SAPs, the IMF staff and major shareholders of IMF can even shape the social and economic policy of the developing countries, and States can lose all chances of autonomy to fulfil their responsibility of ESR rights. Therefore, it is no surprise that when IMF proposes minimum wage cuts, pension cuts, and privatisation of State assets and reduce collective rights of labour, the inequality increases which reduces the access of lower classes for all kinds of socio – economic rights. [53] The effect of

[52] Bernhard Reinsberg, Alexander Kentikelenis, Thomas Stubbs, Lawrence King, 'The World System and the Hollowing Out of States Capacity: How Structural Adjustment Programs Affect Bureaucratic Quality in Developing Countries' (2019) 124 American Journal of Sociology 1222, 1231

[53] Valentin Lang, 'The economics of the democratic deficit: The effect of IMF programs on inequality' (2021) 16 The Review of International Organizations 599, 602 -605

these policies is specifically observed in democracies where there was more reliance on pro – poor policies. [54] It can be concluded that the SAP of IMF contract the ability of States to implement ESR effectively.

[54] Ibid, 614 – 615

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