

Interplay Of The Regime Theory And International Organization: The Compliance Issues Of The International Monetary Fund In Global South

Dr. Noor Fatima^{1*}, Dr. Lubna Abid Ali², Dr. Sundas Khizar³

^{1*}Associate professors, Departement of politics and international Relations, international Islamic University Islamabad, Pakistan

²Professor, Department of International Relations, National Defence University Islamabad, Pakistan

³Assistant Professor, Department of Politics and International Relations University of Lahore, Sargodha Campus

Abstract

This paper explores the interplay between Regime Theory and the International Organization, for this paper, only the International Monetary Fund (IMF), will be focused on compliance issues within the Global South. This theory posits the sets of implicit or explicit values, customs, rules, and policymaking measures which affect the state/Actor's behaviour in a specific issue area. This paper has analyzed the IMF's role through the lens of regime theory, with a focus on the compliance issues vis-à-vis Global South. As the global South, in this paper, Pakistan has been taken for example from Global South, often struggles with compliance and effectiveness of the lending program of the regimes to achieve their intended outcome. Based on the case study of Pakistan, an analysis demonstrates that the compliance issues are not merely a result of domestic challenges but are also shaped by the broader international regime in which the IMF operates.

(Economic Governance, International Monetary Fund, Development aid, Regime theory)

1. Contextualization the Issue:

Regime theory is a prominent approach in the field of international relations and Political Science, focusing on the role of international institutions and norms in shaping state behaviour. It is primarily concerned with understanding how cooperation among states is achieved and maintained in the international system, despite the anarchic nature of global politics. Regime theory has emphasis the narrative of how cooperation can be accomplished and continued in a world separated into sovereign nation-states. The neoliberal perspective is not much different than Realists as both of them accept that other camps are also not wrong in their assumption when it comes to the cooperation with the international states by the International Organization for absolute gains and relative gains. As discussed by Robert Keohane and Joseph Nye the liberal approach in regime theory encourages cooperation and interdependence between the states for the Absolute and Relative gains (A & R). The regime theory is much emphasized by scholars on relative gains, due to the power dynamics of international relations. States tend to be competitive because of their relative position of power as the ultimate currency in the international system.

For this paper, the regime theory will be discussed in the perspective of the International Organization of the International Monetary Fund (IMF) vis-à-vis Global South. This paper will substantiate the argument with specific examples from Pakistan which is on the verge of defaulting to multiple non-compliances of the programs.

The regime is facing a critical challenge to secure cooperation from the countries of the Global South which is the core of the significant challenges in securing cooperation from countries in the Global South, mostly due to complex procedures which has to be understood from the lens of the regime theory. In the context of the regime theory this paper would like to examine how international regimes like IMF as a global governance institution reform designs and programs and facilitate or impede cooperation and compliance with the International Organization as a regime i.e. IMF. Keeping in view my basic enquiry would be as under.

2. The Literature Review and gap

Many persisting studies on international regime analysis focus on the role of global governance, regimes taxonomies, and conditions on which they play their role in Global Governance. If we take into the taxonomy of literature on the IMF lending, program evaluation and compliance, there are particular studies on the Institutions like IMF conditions and structural adjustment assessment analysis such as Allan Drazen, (2001), Graham Bird (2009), Zulfiqar Ahmad Bhutta (2001) and Fasihuddin (2009). IMF also conducts the IMF Independent Reviews (IEO) of the Structural adjustment programs yearly through an independent evaluation to review the staff reports, loan program documents and stakeholder reports to evaluate the degree of implementation and effectiveness. The IMF lending as a policy reform, and its disbursement, including its controversies regarding the conditions and implementation of the program, at length discussed by authors such as Easterly (2005), Reinsberg et al. (2019a,b,c), Forster et al. (2019) & Edwards (2003).

Further the survey of the academic literature on the compliance of the IMF lending program, authors such as Haggard & Webb (1993), Dreher (2003), and Mecagni (1999) have worked on the program interruption and how the borrowing country issues such as political, economic and institutional issues affect the compliance of the program and ultimately get interrupted. How the International organizations and IMF are shaping the regulatory governance in states for the implementation of the program has been discussed by Križil (2019), Simmons et al. (2008), Barnett & Finnemore (2004) and Shaffer (2015). Though the cost of non-implementation is much higher than compliance, then why the countries are still not complying? Literature like Chayes & Chayes (1993), Easterly (2005), Bird (2002), Stone (2004) and Joyce (2006) have addressed the issues. In addition, Findley et al. (2013), Tallberg (2002), Underdal (1998) and Hathaway (2002), have focused on compliance as the determinant of compliance and its failure, which is also relevant to the regime theory, in the contest of the unforeseen factors in the global economy. In contrast, we examine the role of program plan as an overlooked factor of acquiescence. Bernhard Reinsberg et al (2020), have examined the design of the program and, its role in compliance with IMF conditionality between 1980 and 2009. They argued that by design IMF program is un-implementable and interrupted due to non-compliance. They are more concerned with the determinants of the permanent interruption of the IMF program due to the country's own political economic and program failure. Previous literature shows that the IMF is aware of the vulnerabilities of the borrowing country and the IMF's strategies in designing the conditions and affecting compliance. But mostly their focus remained on the conditions and implementation issues due to domestic problems. This paper focuses on the issue of compliance not only from the perspective of an international commitment but agreement between the states. It will identify the issues of the conditions and design in terms of compliance as a main feature of the Regime theory. There will be a futuristic question for more research on International regimes dealing with the state agreements like IMF and World Bank. It will imply that the structural power of the regimes will be diminished or abandoned while the demand for the commitment becomes troublesome for the Global South countries. Because it remains misleading that it is only the national government

3. My basic enquiry and Hypothesis

The compliance of the regimes is a fundamental issue in governance. The IMF often imposes conditions on its financial assistance, which can lead to compliance challenges for recipient countries. These challenges can be understood through several key aspects as my basic hypothesis:

H#1. The compliance issues of the IMF in the Global South can be understood through the lens of regime theory. The Regime theory posits that international institutions and regimes are based on shared norms, rules, and decision-making procedures that shape the behaviour of states to cooperate, therefore, the Interplay of Regime Theory and International Organizations explains the compliance issues of the International Monetary Fund (IMF) in the Global South. The IMF has different preferences over program design, which is reflected in the conditionality, which often prioritizes macroeconomic stabilization over social welfare and development goals, consequently leading to policy failures and non-compliance.

H#2. The tougher the conditionality of the designed program, the higher the chances of the non-compliance. There is a plausible proposition in the context of IMF programs and the local socio-economic conditions of the borrower country. This hypothesis can be analyzed and supported by considering several factors such as the complexity of the reforms and conditions; it may require deep structural changes.

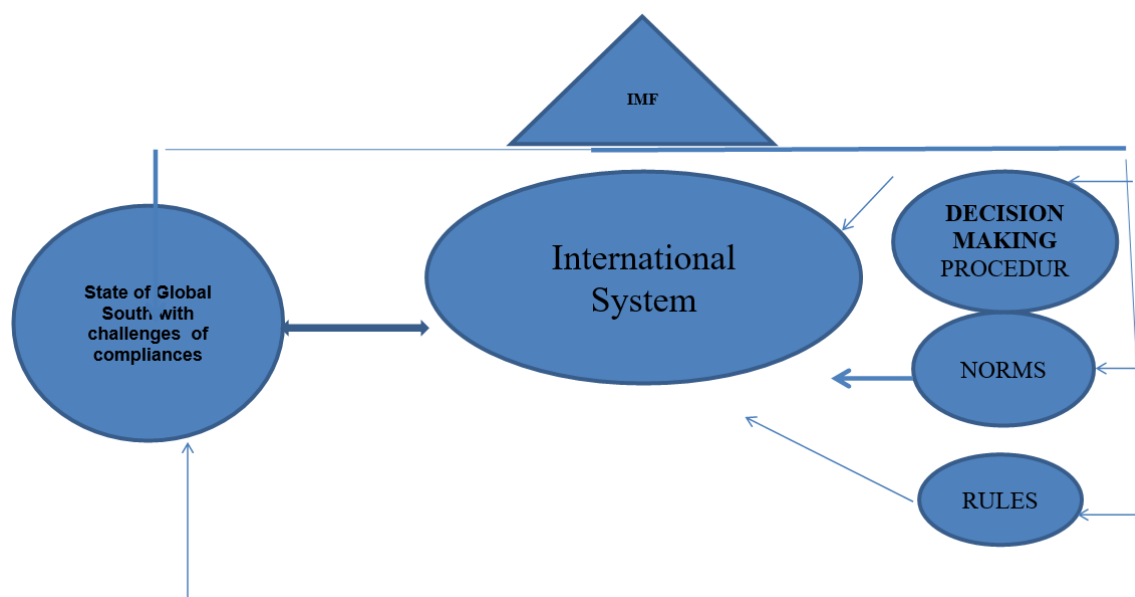
4. Theoretical framework of the Regime Theory and compliance:

The increasing interdependence of the nations on each other in the 20th century has given birth to the regime theory. This required international Rules and regulations to get involved with each other through agreements. This interaction was further boosted by factors such as globalization. There was a need for a framework within International Organizations as well as within the states to follow the rules, regulations and norms. However, we can find many definitions not like the water-tight definition presented by Stephen Krasner who explained it as "sets of implicit or explicit principles, norms, rules, and decision-making measures around which actors' prospects converge in a given area of international relations". The scholars like Stephen Cohan and Joseph Nye have heavily relied on this concept of regime in their writings.

4.1 Main Assumptions of the paper: This paper in its discussion assumes that if Regimes enable Compliance with the commitments of the borrowing countries in the global south, they can mitigate the non-compliance even by the exogenous factors, and they can change the behaviour of the states to bring them to cooperation, reducing the incentives in case the country is defecting or non-compliance. The Regime here is taken as the role of the IMF lending, Robert Keohane has worked on international regimes than any other scholar and he somehow illustrates the difference between regimes and international agreements. However, International Organizations often accompanied by formal organizations such as the WTO is part of a larger trade regime and are linked with International economic Regimes and economic relations like IMF which encompasses rules, norms, principles, procedures and the organizational capacity that the WTO provides for the regime is very relevant for the debate to build on the Trade Regime, on the other way, is rooted within a broader international economic regime.

Regime helps in bringing states to the common interest, reducing uncertainty and reducing transaction costs, which is vital for investments, and increases transparency. It shapes the behaviour of a state whether they opt for the cooperation. At least they know that they are not being exploited in the absence of any information by the other state if they do not tend to cooperate. Therefore, Regime theory attempts to explain the interaction on the experimental level, regime theory explains the interaction between International Organizations states, and other institutions.

Integrating regimes with the International System and state challenges of compliance



Author's own sketch based on the Regime theory

5. International Regimes and Element of Economic Interdependence:

The regulatory role in the global governance of International Organizations warrants them to play a greater role in shaping state behaviour and bringing them to cooperation. Since the states tend to stay competitive against other states, their mutual gains may decline particularly when they think that their partner has more potential and gains will be disproportionately distributed. Therefore, there is a need for amicable overseeing by the International regime. Many scholars in this context have discussed that this overseeing role for the compliance and interdependence of the regulatory state has a different spectrum of policy between high-income rule-based societies to the low-income countries in recognizing this issue typically. The International Organization is incognizant of the distinct structure and regulatory issues of the Global North. International Regimes tend to create economic interdependence. While the economic interdependence could be created if the state can be incentivized for cooperation and mutual benefit, the states may be unwilling to take a loss for the absolute gains of other partner, to improve their own strategic and economic position, the state tends to defect or to stay at relative gains.

6. The issue of the (Non) Compliance and Regime design:

There is a concern about the issues related to compliance within international regimes, particularly in the context of the IMF which reflect broader challenges in global governance. One such case of governing ineffectiveness relates to the offering programs of the International Monetary Fund. The scholars have argued that the lender of last resort, the IMF is central to the economic governance of the Global South where they have hardly access to any alternative sources of financing. Its role has been seen as a "Global Financial Safety Net". It became an important actor to generate insight into the governance of the Global South. IMF's lending towards the global north is combined with strict and binding policy reforms. However, the challenge for the regime and the borrowing countries is that these reforms are not implemented.

The non-compliance creates a more critical situation for countries which have a high cost. However, the point of discussion here is why then these countries are not able to comply with the reforms. The literature and scholarship have explained to this question broadly that IMF reform programs further generate macroeconomic vulnerabilities and poor governance which led the country to opt for inefficient economic policies. It creates a vicious circle. Again, a new program is negotiated and it all starts a new. Easterly (2005) has termed it as "recidivism" – the inclination for countries to enter into repeat lending contracts, never "graduating".

We can find interesting riddles related to the IMF and conditionality vis-à-vis compliance in the literature. The IMF conditionality impacts domestic policies. Generally, it is assumed that IMF conditionality is exogenous to the compliances because it does not get ownership by all the stakeholders of the borrowing countries. Moreover, not only political features but also inclinations of the related actors at the internal level can be serious in compliance. As discussed by Schadler et al. (1995) national commitment is important to complete the IMF programs successfully. Different interest groups are working in the political system of a country and their clash of interests with the IMF program leads to non-compliance. The divergence of interest in this regard has also been discussed by Vreeland, (1999), who has maintained that different interest groups can hinder the implementation of the successful program IMF based on their evaluations (2002b) indicated that the significance of the importance of the inclination of the governments for effective execution. Drazen (2001) and Mayer and Mourmouras (2002) also focused on the significance of the interest group approach that can veto reforms at the domestic level. The governments therefore use the IMF program to leverage the preferences and gain negotiating power to overcome the hostility groups in the country.

IMF reforms require a strong institutional framework to implement and monitor reforms, but like Pakistan many countries seek loans due to their weak institutional capacity, which makes it quite hard to reform absorption and the result is again the lack of implementation. For instance, Pakistan has been facing the tax reform issue for the last 3 decades, still, its tax-GDP ratio is 9% which is the lowest in the South Asian countries as no governance improved through the tax reforms. Among other reasons, for non-compliance include, the impact of social and economic due to the IMF program on borrowing countries. For instance constant insistence of the IMF to raise power tariffs, and energy prices including fuel and gas tariffs in Pakistan has resulted in huge political and economic crises and social unrest, in Pakistan in the recent 24th IMF standby program, which was approved on the staff level. This has led to price hikes and inflation pressure that people who use more than 200 units of power can't even afford to pay bills. Their house rents are more economical than the power bills. As reported by the credible newspaper the new pact shows that the IMF is still not content and is asking for more; seemingly, there is no expiration to the demands. The IMF keep an eye on its playbook, preliminary as a helping hand to modification the country and ultimately grabbing the power to dictate terms and involve in political meddling. Mostly the austerity measure, which includes job cuts also leads to widespread dissatisfaction as it brings political unrest therefore, the government cannot comply with the policy prescription of the IMF. Pakistan as per the reports of the World Bank has shown concern about the state of the economy and urged that Pakistan take urgent steps to tax its sacred cows – agriculture and real estate – and cut wasteful expenditures to achieve economic stability through steep fiscal adjustment of over 7% of the size of the economy. Pakistan has already 95 million people below the poverty line and this recent surge is adding more people into poverty. Whereas in the recent program of April 2024, beginning in June, Pakistan is required by the International Monetary Fund (IMF) to raise gas prices on a semi-annual basis. As part of its deal with the international financial organization, the government has guaranteed the IMF that hikes in gas and electricity tariffs will occur on schedule. However, there are arguments by scholars that the scope of conditionality and compliance is determined by domestic and international factors. The countries which are politically and strategically important to the US can get better terms and incentives and non-compliance can be higher too. The IMF's bargaining position is not much stronger than the US pressure, which affects the intrusiveness accordingly. Pakistan can be a relevant example, after 9/11 and during the war on terror as well as during the Soviet Union War with Afghanistan, which was of course an obvious interest of the US towards Pakistan; Pakistan was able to get loans very easily on the favorable terms. Whereas now when Pakistan entered into the China-Pakistan Economic Corridor (CPEC) agreement and 2015 and post-2015 Pakistan approached to IMF and in 2018 when Pakistan was going through a sluggish economy, Pakistan approached the IMF for the balance of payment issues, however, MF warned Pakistan against 'excessive loans' from China.

When Pakistan was hit by the worldwide neoliberal wave in the 1990s, the country's publicly owned power sector was unable to meet the growing demand. This enormous natural monopoly could not be privatized, therefore in 1994 the government established the Independent Power Producers Policy (IPP), which allowed international investors to build power facilities. A major element of Pakistan's power sector reform program in the mid-1990s was contract issuance to IPPs, which was intended to draw in private capital for energy production and lessen the nation's reliance on public sector power companies. These privately held power companies, known as IPPs, currently generate close to half of Pakistan's electricity.

The IMF-embedded bureaucratic structure associated with the practices of lending has also been discussed in the literature which ultimately affects the compliance of the borrowing country. Broome & Seabrooke, (2007), Nelson, (2014) and Barnett & Finnemore (1999), have contributed through their research that IMF exercise a major influence on the design of the conditionalities. Further, the arguments built by Reinsberg, B., Stubbs, T., & Kentikelenis, A. (2022) in their research on the implementation of IMF programs have also supported the argument that the bureaucratic structure of the organization affects their policy intervention in the borrowing country. In this context, the IMF signed the Structural Adjustment program with Pakistan 1980s with the designed to stabilize the economy of Pakistan. The design included privatization, deregulation, liberalization with the fiscal austerity measures and controlled monetary policy. After 34 years, a recent program with the IMF for the Stand-By Arrangement (SBA) is the 24th time, with IMF has the same prescription for Pakistan to come out of the financial problems starting with the balance of Payment crisis.

Most of the post-program analysis shows that IMF conditionality was designed to manage the fiscal and monetary policy, to reduce inflation and foreign current account to the maintainable table level. They wanted the fiscal deficit reduction ultimately for instance from 7.4% to 4.2 % in 2007-08. Initially, we found some success on this account due to strict monetary policy and also achieved some of the targets such as current account deficit reduction, lower imports and foreign exchange reserves mostly have gone up due to the programs. However, the desired objective has not been fully attained and achieved in any of the programs since the 1980s. After every evaluation of the program, one thing seems to be common in lacking which is not enough revenue collection. At present, after years of reforms and engagement with the IMF, the tax to GDP of Pakistan is only 9% which is the lowest among its peers.

The policy prescription was designed to introduce the value-added tax, but it could not be implemented due to complex procedures. The loan agreements seem to be a good signal for the development creation of conditions for the revival of growth but itself conditions of the loan are aimed at short-term stabilization rather than a program of economic and social development. The conditions designed are not for the removal of the weakness of the system and to go towards self-reliant growth. Consequently, Pakistan looked for more borrowing which again led to high inflation and low growth fundamentally. This has resulted in further exacerbating the economic conditions of Pakistan recently. We may see at a glance that Pakistan's

GDP growth from 1961-2023 shows that the era such as the initial years of the 1980s and mid of 2000 showed a trend of high growth as during this period Pakistan was not actively engaged with IMF loans due to the aid received from mostly the US on account of the Soviet Union and Afghanistan War and later after 9/11, 2001 Pakistan was the main ally on the terrorism with the United States, which was a case of the aid coming in from the US. The period of mid 1980s, 1990s late 2000 shows negative growth.

PAKISTAN GDP GROWTH FROM 1961-2023

Source: "Pakistan GDP Growth Rate 1961–2023", *Macrotrends*, accessed July 17, 2023,

<https://www.macrotrends.net/countries/PAK/pakistan/gdp-growth-rate>.

The structural problems of the IMF as an organization have translated into conditions that have led Pakistan currently to a crisis where as per the World Bank, report 8.4 and 9.1 million people have slipped below the poverty line by 2022. Owing to the IMF's consecutive failure to comply with the loan conditions combined with inflation, drastic floods in 2022 led to the destruction of the floods. The damages from the flood in 2022 have been estimated to be more than 30\$ (b) in Pakistan.

However, a policy design has become a challenge due to the IMF's structure and that embedded in the prescribed reforms evaluated the IMF external evaluation of the program says that "the over-optimism was reflected in the length and diversity of the reform agenda embedded in IMF-supported programs from 1988 onward and from the overambitious timetable envisaged for reforms that take time to implement even in countries with far more administrative resources than Pakistan". Resultantly there was insufficient prioritization of the policy formulation and technical constraints like capacity issues and lack of political ownership generated absence of political will. As suggested by Caraway et al., (2012) the IMF already has this anticipation that there will be potential failure by program design and still they continue with the same country is like giving them incentives to fail as a driver of non-compliance. The Bernhard Reinsberg et al (2020) research in the same context suggests that the IMF board is more lenient when it comes to the program design, they have referred the same arguments to Bird & Willett, (2004), with the same arguments the design of the conditionality. According to them scholars such as Babb & Buira, (2005); Dreher & Vaubel, (2004); and Vaubel, (2006) are of the view that self-interest drives the program design. It can give fund staff more leverage to later on waive off the conditions, a far-fetched idea. However, Bernhard Reinsberg et al, are of the view that this idea has been refuted on the basis that the IMF put more tough conditions with anticipation of its implementation, whereas borrowers themselves anticipate that if the conditions are not met, IMF can consider it for the waiving off. Nevertheless, this is not a convincing argument as program interruption makes the program and resumption with IMF even more costly.

In July 2019, Pakistan entered into 39 monthly funding program with the IMF for \$6 bn, in July 2019, but the funding stalled earlier that year due to issues over the required reforms which were not persuaded by the Pakistani government due to political pressures. The reforms such as the autonomy of the State Bank of Pakistan, tax reforms and subsidization were the main shortcomings in the 6th review of the program. On November 22, 2021, after meeting the quantitative performance criteria by the end of June and Pakistan's many deliberations with the IMF to enforce the required legislation, the IMF and Pakistan reached an agreement at the staff level which restored the program and \$ 1 (b) were released of rest of \$ 3.5 (b). Pakistan has suffered hard due to the uncertainty of the program given turbulent domestic politics, rising inflation, and a rocky US-Pakistan relationship. This sent an amicable message to the world community that Pakistan was ready to introduce the reforms demanded by the IMF to absorb the loan agreement. Nevertheless, it was not the first time that Pakistan lacked the legislation for the reforms, but China's investment in Pakistan through China Pakistan Economic Corridor has become the major reason for the US influence over Pakistan to emphasise the reforms that the program was interrupted temporarily. Pakistan has been seen through the prism of the China-debt-trap by the US, which indirectly impacts the IMF decision-making for the program designs. To have an effect of the IMF program and its compliance impact on Pakistan, a bird's eye presented a comparison of the Economic indicators with and without the IMF program in Pakistan over the years.

PAKISTAN WITH AND WITHOUT IMF

Indicators Average for Years With IMF Program Average for Years WITHOUT IMF program

Indicators	Average for Years With IMF Program	Average for Years WITHOUT IMF program
Industrial Growth (Real)	4.41	6.68
Real Gross Domestic Product Growth	4.09	5.53
Revenue Balance (% of GDP)	-1.71	-0.71
Fiscal Balance (% of GDP)	-5.91	-6.34
Primary Balance (% of GDP)	-1.13	-2.95
Tax Revenue (% of GDP)	11.35	11.37
Total Revenue (% of GDP)	14.53	14.53
Development Expenditure (% of GDP)	4.42	6.07

Total Expenditure (% of GDP)	20.63	21.26
Interest rate (Discount Rate)	10.94	9.38
Debt (% of GDP)	69.89	61.48
USD/PKR (% change)	6.68	6.08
Current account balance (% of GDP)	-1.91	-3.95
Trade (% of GDP)	30.81	30.70
Inflation Rate		
Total reserves (% of total external debt)	8.33	7.26
Unemployment Rate	15.19	15.52

The main conclusion based on this review of the IMF compliance literature highlights that political and structural issues of the borrowing as well as IMF as an organization are significant factors contributing to the failure of IMF programs, often more than the economic reasons itself. If on the one side strong political ownership and commitment are required for compliance then on the other the design of the conditions of the program, and the other structural issues of the IMF also need to be addressed for not to incentivize non-compliance.

There are several studies which have discussed the alternate explanation of lack of political commitment, governance institutional weakness and political and economic instability playing a critical role and central to non-compliance but the overlooked part of the discourses is that the IMF programs are designed for non-implementation with a lot of complex conditions which cannot be fulfilled due to the ground realities, and the program was interrupted. Referring to such non-compliance, Reinsberg et al. (2021) examined the overall examination of the IMF program between 1980 and 2009, of all 668 programs approved, 371 programs were interrupted due to compliance problems, and 241 of these never resumed. This view has been developed on the basis that political instability, lack of ownership and institutional capacity are greatly linked with the program's non-compliance due to the design of the program of IMF.

If we look at Pakistan's history of engagement with IMF since 1980 and its interrupted program, based on interruption and re-engagement it was considered to be a "one or two tranche country" of structural adjustment programs between the periods 1988-1998 interrupted and terminated prematurely due to non-compliance of major conditionality by Pakistan. However, one tranche standing was changed later due to the 9/11-related assistance by the IMF and progress was seen in the structural reforms related to the trade and capital account liberalization. We may conclude that non-compliance in the case of Pakistan seems to be political and, a lack of national ownership because the political groups or the opposition parties would be influential in the implementation of the IMF reforms. Nevertheless, the Regime type combined with domestic institutions such as implementation and monitoring mechanisms for checks/balances purposes is vital, which is normally missing. The evidence regarding the effect of economic factors is more mixed than the literature on the determining factor of conditionality. In this article, we deliver another version of the supervisory incompetence of IMF conditional lending. Bernhard Reinsberg et al (2001) posit the view that though non-compliance is endogenous to the program design they have discussed the type of policy reforms in lending which can work as drivers of non-compliance.

In this way, we may see the reinforcement of patronage networks, which get the benefit of the weak policy implementation. As the government's inability in Pakistan to power sector subsidization has been a greater issue, because of the weak implementation patronage groups like the political elite and business community benefit from the subsidization and resultant the reforms have not been fully implemented in Pakistan so far. While discussing political patronage, Khwaja and Mian (2005) have argued that "politically connected firms in Pakistan get more loans from government banks despite having 50 per cent higher default rates". The privatization of the power sector began through its Pakistan Power Policy of 1994, an analysis of the failure of power sector reforms in Pakistan states that Energy sector reforms of Pakistan in the 1990s prescribed by the IMF and the World Bank have added further load of at least 16 imported furnace oil and gas-based Independent Power Producers (IPPs) to the system which fostered the rent-seeking political economy in Pakistan.

7. Challenges of the Compliance and Cooperation from the Global South and Recommendations:

Based on the above discussion following are the major issues related to the compliance vis-à-vis loan program by IMF with the borrowing countries including Pakistan in the Global South as under:

7.1. Historical Distrust with the IMF

Despite its being decades, the IMF has been but historical distrust prevails in many countries in the Global South IMF, due to their experience of Structural Adjustment with the IMF during the 1980s and through the 1990s. They signed up for the new programs of lending and that's very much linked with the compliance failure. , based on their data analysis 763 IMF programs from 1980 to 2015, reviewed from the program review of the IMF, suggested that " a higher number of operational environments at program onset are forcefully related to betterment of incidence of program interruptions". This research manifests that interruption of the program and non-compliance is interlinked with the design of the conditions itself.

The design such as lifting price control, opening the borders for unrestrained trade, privatising public sector entities, and rolling back the social programs with austerity measures were harsh programs by design which brought social hardship,

leading to non-compliance in the global south. During such times, the country further suffers hardship, loss of investors and an increase in sovereign refinancing, which then pushes countries back to the IMF for another loan.

7.2. Perception of the Conditions of Western Economic Models:

Policy prescriptions of the IMF are rooted in the Washington Consensus framework of Privatisation, trade liberalization and de-regulation which is affecting national autonomy and undermining national sovereignty and above all the development programs. The Global South has developed a perception of Western economic strategy and ultimately met with resistance. As discussed by Abbott et al. (2010); Stiglitz (2002), IEO (2018) have argued that for a long time, the domestic political economy of the borrowing countries has not been considered by the international financial institutions that have deployed policy conditions with little consideration of the domestic political economy. Eichengreen (2000) has also in the context argued that unless the country knocks on the door of the IMF, the issue of deficit can't be resolved. Therefore, the IMF as an organization is seen as unpleasant. Since other alternatives are not available, therefore countries do not feel any incentive so countries do not make efforts to manage the macroeconomic condition on their own, without going to the IMF. When the IMF prescribes the Western models, it reflects the failure of the comprehension of the IMF staff-level discussion that they do not anticipate the non-compliance of the conditions in a real sense on the ground. At the level of negotiations if this is realized the element of waiver has to be taken less likely. Therefore neither countries nor the IMF can prevent a costly interruption.

7.3. Program Design and Problems with IMF Governance:

Though the IMF claims that it has broken with the past practices of the SAP hard conditions, as an organization decision (IMF 2015), it has pushed too many structural changes conditionality which turned the borrower away from the IMF. (Lipsy & Lee 2019) has argued that instead accumulating foreign reserves has reached the level of crises like the Pakistan case. (Kentikelenis et al. 2016) Has argued that the streamlining Initiative goal of IMF is to reduce the structural conditions in the borrowing condition, this initiative has a bare minimum effect on lending. (IEO 2018, p. 13) has discussed that Executive Directors express that the number and the pace of the structural reforms are overwhelming. If we look at the with backdrop of Pakistan's case as a Global South country, the program review stated that the IMF Program served the political purposes in Pakistan instead of the economic result. IMF staff was of the view that "in Pakistan, at times political consideration prevailed over technical judgment in terms of the overall threshold for a program to get support.

7.4 The Role of Veto Power: Discussing the organizational issues brings up the issue of the role of veto power and how it could strengthen the coordination between different offices for mitigating failures. This might involve comparing how different parts of the IMF bureaucracy currently interact and how changes could lead to better outcomes. The lack of coordination within the IMF organization and its bureaucracies results in an over-ambitious program. If states emphasise the veto power of these units and bureaucracy, compliance can be ensured by the states. The rationale is to empower these sections of the IMF to manage and mitigate non-compliance and design a program which should be more realistic and achievable.

7.5. Content and Compliance: Not much Content has changed in IMF

Over the years, there has been hardly any change in the content of the IMF text of lending agreements. The same content such as increasing interest rates, state banks being more independent, Privatization of state-owned enterprises and creation of more fiscal space. In recent years, inevitably they stick to the freedom of the central bank, on which even in the case of Pakistan in 2023, one program has been interrupted.

8. Conclusion:

The paper maintains that theoretically, the regime theory domains of the compliance and behaviour change of the states fail to connect satisfactorily with the Global North. The propositions briefly mentioned above are made to the subject of the empirical examination of the data and facts of Pakistan as a Global South country. Depending on the previous literature and the present discussion, it can be concluded that it seems to be very tempting to blame the lack of effectiveness, lack of ownership, political instability, and economic instability of the borrowing country is because of the poor implementation of the Global South and in this paper by Pakistan.

The fact of the matter is that elite capture in countries like Pakistan brought the economy to the recurring borrowing but it is also because the relief by the regimes has been given was temporary. It is not focused on structural changes but on unrealistic reforms. The implementation of the Structural adjustment has never reached the level of self-sustained economy of the borrowing countries. The IMF faces considerable challenges in fostering cooperation from the Global South, rooted in historical grievances, perceived power imbalances, and divergent economic priorities. The main argument, this paper discusses is that the lending program design and conditions are linked to compliance. If the selection of the design is not made on the realistic assumption, the outcome will be different than expected. The bargaining power of the weaker states is lesser and they are more reluctant to sign agreements with IMF like Indonesia, Pakistan and other southern countries.

The countries if complete with the harsh conditions stay without any incentives, except the loan disbursement. The discussion above emphasizes policy design as a determinant of compliance with IMF lending program design. The over-ambitious program design combined with the coordination failure between different sections of the IMF and the bureaucracies is causing non-compliance. Overcoming these challenges requires not only institutional reforms but also a more inclusive and empathetic approach to the unique circumstances and needs of Global South countries.

REFERENCES

1. "IMF Conditionality". *International Monetary Fund*. 2015. Available from URL: <https://www.imf.org/external/np/exr/facts/pdf/conditio.pdf>. (Last accessed 27 Mar 2020).
2. "IMF warns Pakistan against 'excessive loans' from China". *The Daily Dawn*. October 10, 2018. <https://www.dawn.com/news/1438023>
3. "Pakistan GDP Growth Rate 1961–2023". *Macrotrends*. accessed 17 July 2023. <https://www.macrotrends.net/countries/PAK/pakistan/gdp-growth-rate>.
4. "Pakistan: Flood Damages and Economic Losses Over USD 30 billion and Reconstruction Needs Over USD 16 billion – New Assessment". *The World Bank press release*. October 28, 2022. <https://www.worldbank.org/en/news/press-release/2022/10/28/pakistan-flood-damages-and-economic-losses-over-usd-30-billion-and-reconstruction-needs-over-usd-16-billion-new-assessme>.
5. "Structural Conditionality in IMF-supported Programs." *Independent Evaluation Office of the International Monetary Fund*. Washington DC., 2018.
6. Abbott, Kenneth W. and Duncan Snidal. "Taking responsive regulation transnational: Strategies for international organizations." *Regulation & Governance* 7, no. 1 (2013): 95-113.
7. Abbott, Kenneth W., and Duncan Snidal. "International 'standards' and international governance." *Journal of European Public Policy* 8, no. 3 (2001): 345-370. <https://doi.org/10.1080/13501760110056013>
8. Arpac, Ozlem, Graham Bird, and Alex Mandilaras. "Stop interrupting: An empirical analysis of the implementation of IMF programs." *World Development* 36, no. 9 (2008): 1493-1513.
9. Baqir, Reza, Rodney Ramcharan, and Ratna Sahay. "IMF programs and growth: Is optimism defensible?." *IMF Staff Papers* 52, no. 2 (2005): 260-286.
10. Barnett, Michael N., and Martha Finnemore. "The politics, power, and pathologies of international organizations." *International organization* 53, no. 4 (1999): 699-732.
11. Barnett, Michael, and Martha Finnemore. *Rules for the world: International organizations in global politics*. Ithaca, NY: Cornell University Press, 2019.
12. Bhutta, Zulfiqar Ahmed. "Structural adjustments and their impact on health and society: a perspective from Pakistan." *International journal of epidemiology* 30, no. 4 (2001): 712-716.
13. Broome, André, and Leonard Seabrooke. "Seeing like the IMF: Institutional change in small open economies." *Review of international political economy* 14, no. 4 (2007): 576-601.
14. Caraway, Teri L., Stephanie J. Rickard, and Mark S. Anner. "International negotiations and domestic politics: The case of IMF labor market conditionality." *International organization* 66, no. 1 (2012): 27-61.
15. Carruthers, Bruce G., and Terence C. Halliday. "Negotiating globalization: global scripts and intermediation in the construction of Asian insolvency regimes." *Law & Social Inquiry* 31, no. 3 (2006): 521-584.
16. Chayes, Abram, and Antonia Handler Chayes. "On compliance." *International organization* 47, no. 2 (1993): 175-205.
17. Clark, Richard. *Bargain Down or Shop Around? Outside Options and IMF Conditionality*. New York: Columbia University Press, 2020.
18. Clark, Richard. "Bargain down or shop around? Outside options and IMF conditionality." *The Journal of Politics* 84, no. 3 (2022): 1791-1805.
19. Drazen, Allan. "Conditionality and ownership in IMF lending: a political economy approach." *IMF Staff Papers* 49, no. Suppl 1 (2002): 36-67.
20. Dubash, Navroz K., and Bronwen Morgan. "Understanding the rise of the regulatory state of the South." *Regulation & Governance* 6, no. 3 (2012): 261-281.
21. Easterly, William. "What did structural adjustment adjust?: The association of policies and growth with repeated IMF and World Bank adjustment loans." *Journal of Development Economics* 76, no. 1 (2005): 1-22.
22. Fasihuddin. "Pakistan at IMF Door Again." *Policy Perspectives* 6, No. 1 (January - June (2009): 105-114.
23. Forster, Timon, Alexander E. Kentikelenis, Bernhard Reinsberg, Thomas H. Stubbs, and Lawrence P. King. "How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality, 1980–2014." *Social Science Research* 80 (2019): 83-113.
24. Haggard, Stephan and Steven B. Webb. "What do we know about the political economy of economic policy reform?." *World Bank Research Observer* 8, no. 2 (1993): 71-80.
25. Haggard, Stephan, and Beth A. Simmons. "Theories of international regimes." *International organization* 41, no. 3 (1987): 491-517.
26. Haggard, Stephan, and Steven B. Webb. "What do we know about the political economy of economic policy reform?." In *Modern Political Economy and Latin America*, pp. 71-80. Routledge, 2018.
27. Haider, Mehtab. "One-tranche country?." *The News International*. October 2018. <https://www.thenews.com.pk/magazine/money-matters/377889-one-tranche-country>
28. Hasenclever, Andreas, Peter Mayer, and Volker Rittberger. "Interests, power, knowledge: The study of international regimes." *Mershon International Studies Review* 40, no. 2 (1996): 177-228.
29. Hasenclever, Andreas, Peter Mayer, and Volker Rittberger. "Sovereignty, International Democracy, and the United Nations." (1996).
30. Hasenclever, Andreas, Peter Mayer, and Volker Rittberger. *Theories of international regimes*. No. 55. Cambridge University Press. 1997.
31. Hashmi, Samia Majeed. "Exit of Pakistan From IMF: Implications For The Economy." *Margalla Papers* 21 (2017).

32. Henning, C. Randall. "Regime complexity and the institutions of crisis and development finance." *Development and Change* 50, no. 1 (2019): 24-45.
33. International Monetary Fund. Independent Evaluation Office. "Chapter 9: Pakistan". In *Evaluation of Prolonged Use of IMF Resources*. USA: International Monetary Fund, 2003. Retrieved Aug 24, 2024, from <https://doi.org/10.5089/9781589062054.017.ch009>
34. International Monetary Fund. *Strengthening Country Ownership of Fund-supported Programs*. Washington, DC: International Monetary Fund, 2001.
35. Kentikelenis, Alexander E., Thomas H. Stubbs, and Lawrence P. King. "IMF conditionality and development policy space, 1985–2014." *Review of International Political Economy* 23, no. 4 (2016): 543-582.
36. Keohane, Robert O. and Joseph S. Nye Jr. "Power and Interdependence in the Information Age". *Foreign Affairs* 77, No. 5 (Sep. - Oct. 1998): 81-94
37. Keohane, Robert O. *After hegemony: Cooperation and discord in the world political economy*. Princeton, NJ: Princeton University Press, 1984, 79-80.
38. Khalid, Minahil. "The Impact of IMF program on Pakistan". *Current Affairs Pakistan*. July 2024. <https://www.paradigmshift.com.pk/imf-pakistan/>
39. Knippenberg, Erwin, Mattia Amadio, Nadeem Javaid, and Moritz Meyer. "Quantifying the Poverty Impact of the 2022 Floods in Pakistan". *World Bank* (Blog). May 18 2023, <https://blogs.worldbank.org/developmenttalk/quantifying-poverty-impact-2022-floods-pakistan>.
40. Kring, William N., and William W. Grimes. "Leaving the nest: The rise of regional financial arrangements and the future of global governance." *Development and Change* 50, no. 1 (2019): 72-95.
41. Križić, Ivo. "Regulating public procurement in Brazil, India, and China: Toward the regulatory-developmental state." *Regulation & Governance* 15, no. 3 (2021): 561-580.
42. Lim, Daniel Yew Mao, and James Raymond Vreeland. "Regional organizations and international politics: Japanese influence over the Asian Development Bank and the UN Security Council." *World Politics* 65, no. 1 (2013): 34-72.
43. Lipsky, Phillip Y., and Haillie Na-Kyung Lee. "The IMF as a biased global insurance mechanism: Asymmetrical moral hazard, reserve accumulation, and financial crises." *International Organization* 73, no. 1 (2019): 35-64.
44. Mecagni, Mauro. "The causes of program interruptions." *Economic Adjustment in Low-Income Countries, International Monetary Fund, Washington DC*. (1999): 215-276.
45. Nelson, Stephen C. "Playing favorites: how shared beliefs shape the IMF's lending decisions." *International Organization* 68, no. 2 (2014): 297-328.
46. R. Little. "International Regimes". in *The Globalization of World Politics An Introduction to International Relations*, ed. S. Smith, & J. Baylis, New York: Oxford University Press, 379-381
47. Ramy, Shakeel. "Unpacking new IMF deal's consequences". *The Tribune*. July 24, 2024. www.tribune.com.pk
48. Rana, Shahbaz. "95m Pakistanis live in poverty: World Bank :Urges Govt. to tax agriculture, real estate, cut wasteful expenditure". *The Tribune*. September 23, 2023. www.tribune.com.pk
49. Reinsberg, Bernhard, Alexander Kentikelenis, and Thomas Stubbs. "Creating crony capitalism: neoliberal globalization and the fueling of corruption." *Socio-Economic Review* 19, no. 2 (2021): 607-634.
50. Reinsberg, Bernhard, Thomas Stubbs, and Alexander Kentikelenis. "Compliance, defiance, and the dependency trap, International Monetary Fund program interruptions and their impact on capital markets." *Regulation & Governance* 16, no. 4 (2022): 1022-1041. doi:10.1111/rego.12422
51. Reinsberg, Bernhard, Thomas Stubbs, and Alexander Kentikelenis. "Unimplementable by design? Understanding (non-) compliance with International Monetary Fund policy conditionality." *Governance* 35, no. 3 (2022): 689-715.
52. Schneider, Christina J., and Jennifer L. Tobin. "The political economy of bilateral bailouts." *International Organization* 74, no. 1 (2020): 1-29.
53. Shahid, Ariba. "Experts react: A renewed Pakistan-IMF agreement". *Atlantic Council*. November 23, 2021. <https://www.atlanticcouncil.org/blogs/southasiasource>
54. Stiglitz, J.E., *Globalization and Its Discontents*. New York: W. W. Norton & Company, 2002.
55. Stone, Randall W. "The scope of IMF conditionality." *International organization* 62, no. 4 (2008): 589-620.
56. Stubbs, Thomas, William Kring, Christina Laskaridis, Alexander Kentikelenis, and Kevin Gallagher. "Whatever it takes? The global financial safety net, Covid-19, and developing countries." *World Development* 137 (2021): 105-171.
57. Vreeland, James R. "The IMF: lender of last resort or scapegoat." *Yale University* (1999).