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Eric Toussaint  
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## World Bank and IMF Recognize Widening North-South Gap

"David Malpass, President of the World Bank, has stated that there was a gap between the growth rates of rich and poor countries"

In January 2022, the World Bank warned that "developing" countries will lag even further behind the rich world as they struggle to recover from the economic impact of the pandemic due to the spread of coronavirus variants and their limited ability to implement reactivation measures.



"David Malpass and Kristalina Georgieva" by World Bank Photo Collection is licensed

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[In new economic forecasts released on Tuesday, January 11, 2022, the World Bank says it expects](#) the global economy to experience a two-speed recovery in 2022, which will drive widening inequality. While, according to the World Bank, the output of rich countries will return to its pre-pandemic level in 2023, that of "developing" countries will remain on average 4% below its pre-pandemic level. According to the Bank, the weak recovery after the impact of the coronavirus will be particularly severe in the most vulnerable countries; for next year, production in "fragile and conflict-affected countries and small island states will remain 7.5-8.5% lower" than its pre-pandemic level. David Malpass, president of the [World Bank](#), has stated that there was a gap between the growth rates of rich and poor countries. He has also stated that while per capita income rose 5% last year in advanced economies, it rose by only 0.5% in low-income countries, he said. "We are going in the opposite direction to what is desirable for good development." "We have before us a big problem that could last for years."

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Ayhan Kose, head of the bank's economic forecasting unit, has stated that developing countries face "a plethora of risks" that increase the likelihood of a brutal landing, in particular the emergence of new variants, rising [inflation](#), tensions in financial markets with rising [interest](#) rates and climate-related catastrophes. He has called for more aggressive [action](#) by the global community on the issues of vaccines, [debt](#) and climate change.

According to Kose, emerging and developing economies have not been able to provide a fiscal and monetary response to the pandemic as large as that implemented in advanced economies and several of them have already been forced to withdraw their stimulus measures by raising interest rates to cope with a rise in inflation. "They have done their best, but what they have done is far from what the advanced economies have been able to do," he said. He added: "This is a pandemic of inequalities that will have consequences over several generations."

"According to Kose, head of the bank's economic forecasting unit: We intend that we can overcome the pandemic without vaccinating large populations around the world. This is not true."

The World Bank's warning echoes similar calls from other global institutions. Rebeca Grynspan, Secretary-General of the United Nations Conference on Trade and

Development (UNCTAD), has stated that vaccine distribution around the world had been "poor and irrational", with advanced economies reaching supply agreements for 3 billion doses of vaccine more than they needed for their own populations. almost enough to provide two doses for the entire population of Africa. In his opinion, "the cost of the pandemic is growing beyond anything we have seen before, and not only in terms of debt and the health of millions of citizens." He added that the spread of new variants "is already affecting the recovery and eroding the legitimacy of governments and democratic institutions everywhere..." If we do not find the political will and the space for negotiation, unfortunately reality will lead us to very bad results" [1].

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In 2021, Kristalina Georgieva, managing director of the [IMF](#), warned that the world "faced a two-speed worsening of recovery," due to differences in vaccine availability, infection rates, and countries' varying ability to provide political support. He called this situation "a critical moment that requires urgent action by the [G20](#) and policy makers."

The warnings issued by the World Bank and imf are well-founded, but self-criticism is totally absent. Moreover, these two institutions do not change their concrete policy one iota: they continue to recommend the continuation of neoliberal policies, which are precisely what have led to the current disaster.

The end of 2021 and the beginning of 2022 are marked by very sharp increases in energy prices. This has started to provoke riots like the one in Kazakhstan in January 2022. Faced with rising prices for staple foods and fuels imposed by [structural adjustment](#) programmes and supported by the IMF and the World Bank, populations face enormous difficulties in heating their homes where it is needed or in cooking, boiling water and making it drinkable.

Governments and major multilateral institutions such as the World Bank, imf, and regional development banks have used public debt repayment to generalize policies that have damaged public health systems. This has made them much more vulnerable to pandemics such as the coronavirus.

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difficulties in heating their homes where it is needed or in cooking, boiling water and making it drinkable."

Even before the outbreak of the Covid-19 epidemic, these policies had already produced enormous losses in human lives and, in the four corners of the planet, health workers had organized protests.

If you wanted to have the means to fight the coronavirus and even improve people's health and living conditions, you would have to take emergency measures.

The immediate suspension of debt repayment and, better yet, its cancellation should have been a priority.

However, neither the World Bank nor the IMF have cancelled debts since the start of the coronavirus pandemic. These two institutions have multiplied statements that were intended to give the impression that they were taking very strong measures. It is completely false. The [debt-service](#) suspension mechanism put in place by the IMF, the World Bank and the G20 in April 2020 resembles like two drops of water the mechanism put in place after the tsunami that hit India, Sri Lanka, Bangladesh and Indonesia in December 2004. Instead of cancellation, public creditors are merely postponing maturities. It should be stressed that private creditors are not obliged to make any effort. As for the IMF, it does not end repayment, or even suspend it. It has created a special fund that is fed by rich countries and from which the IMF draws to repay.

Worse, since March 2020, the IMF has extended loan agreements that involve the continuation of neoliberal and austerity measures.

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As for the World Bank, between March 2020 and April 2021, it received more repayments from "developing" countries than it provided as financing either in the form of grants or loans.

In 2021, in the face of the international crisis and the pandemic, the international CADTM was present at the manifesto initiative "[End the private patent system!](#)" that had an important international echo: [List of the first 360 signatures of people who support the Manifesto](#) Let's end the private patent system! #FREECOVIDPATENTS. [More than 250 organizations are also signatories internationally.](#)

To fight growing inequalities and tackle the coronavirus pandemic, the international CADTM network and the signatories of the CADTM-driven manifesto are in favour of:

1. The suspension of private patents on all technologies, knowledge, treatments and vaccines related to Covid-19;
2. The elimination of trade secrets and the publication of information on production costs and public investments used, in a clear and accessible manner for the entire population;
3. Transparency and public control at all stages of vaccine development;
4. Universal, open and free access to vaccination and treatment;
5. The expropriation and socialization under citizen control of the private pharmaceutical industry as the basis of a public and universal health system that promotes the production of generic treatments and medicines;
6. Increased investments and public budgets for public health and local care policies, including an increase in hiring, salaries and an improvement in the working conditions of personnel in these sectors;
7. The introduction of wealth taxes (wealth and income of the richest 1%) to finance the fight against the pandemic and ensure a socially just and ecologically sustainable way out of the various crises of world capitalism;
8. The suspension of the payment of debts for the duration of the pandemic and the cancellation of illegitimate debts and those contracted to finance the fight against the virus.

"Citizen mobilization is the fundamental cornerstone of the changes that the CADTM intends to promote"

Everywhere on the planet, the "debt system" accentuates inequalities. If the contexts are different, the mechanism is similar in the North and in the South: over-indebted states are strangled by unsustainable payments and placed under the control of creditors. The solutions imposed in the South and the North are identical: structural adjustment plans there, austerity policies here, privatisations, systematic enslavement of nature and anti-social measures everywhere.

In order for peoples to be freed from the protection of creditors, the CADTM advocates the cancellation of all debts identified as illegitimate, illegal, unsustainable or odious on

the basis of conducting audits capable of clarifying their origin and identifying the part that should not be paid. because it has not benefited the population. Citizen mobilization is the fundamental cornerstone of the changes that the CADTM intends to promote. One of its strategies to feed it is to strengthen the member organizations of its international network while developing its synergies with networks that work on debt and its collaborations with other social movements so that they integrate the issue of debt and the demand for its cancellation in their political agenda. It should be noted that in the eyes of the CADTM, the cancellation of all illegitimate debts is not an end in itself. It is to a greater extent a means, a necessary but not sufficient condition for the construction of a world that allows the universal consecration of fundamental human rights, social emancipation and respect for nature.

Note:

[1] Quotes from the January 11, 2022 *Financial Times* article, "Two-speed pandemic recovery will worsen inequality, World Bank warns Economic impact on developing countries will leave them further behind rich nations, warns World Bank Economic impact on developing countries will leave them further behind rich nations."

Eric Toussaint for La Pluma

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Translated by Alberto Nadal Fernández

Edited by María Piedad Ossaba

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