**HOW SHOULD GCSPF RESPOND TO**

**IMF’S NEW POLICY ON SOCIAL SPENDING?**

**A note to start a working group discussion**

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Recently, the International Monetary Fund (IMF) has gone through a wave of reflection about its adverse impact on social spending, including on social protection. As a result, in May 2019 it adopted a new policy to do better, in line with the commitments made by its member governments in the 2030 Agenda for Sustainable Development (UN General Assembly resolution 70/1). However, Fund Staff are aware that with some IMF policy reforms, “What happens in Washington, stays in Washington.” IMF promises in its policy document to consult more with civil society in its member countries, implicitly acknowledging that such engagement can help raise the priority of social spending, as well as help shape its amount and content. We can be sure the new Fund policy is contested among it governors and probably some staff and that some would like the policy to be toothless. The challenge for GCSPF is not only to help prevent that from happening but also to help strengthen social protection, especially floors, in all countries and perhaps by more than IMF has imagined.

## Background

The path to the new policy began with a critical assessment of the Fund’s adverse influence on social protection by the Independent Evaluation Office (IEO),[[1]](#footnote-1) surely prompted by numerous critical studies[[2]](#footnote-2) and politically contentious developments recently in several countries.[[3]](#footnote-3) The Fund’s management and its Executive Board responded to the IEO report by agreeing to revisit how IMF policymaking impacts social protection in its member countries, while broadening the scope of its review to include the Fund’s impact on basic education and health spending.

In preparing its new policy, the Fund decided to engage with its academic and civil society critics during 2018-2019, including a number of active members of GCSPF, including Michael Cichon, Peter Bakvis, Miriam Brett and Barry Herman, the last three of which drafted an explicit critique of the new policy that seemed to be emerging.[[4]](#footnote-4) While it would be a stretch to say that we influenced the policy drafting in any significant way, we did engage in substantive discussions and one could discern echoes of some of our concerns, such as the imperative of protecting a “floor” of social expenditure, cooperating more intensively with UN agency expertise in social protection, engaging more intensively with local civil society, trade unions and academic experts when undertaking country missions, as well with line ministries and relevant legislators, including at the sub-national level when appropriate, and being mindful not only of the net impact of all economic programs of spending and taxation taken together on the livelihoods of all population segments, but also taking into account that programs such as child and maternal benefits can raise overall national productivity and thus economic growth. However, IMF only obliquely addressed our concern about protecting social protection during and in recovery from crises. The Fund discussed applying more “quantitative conditionality” on social spending in adjustment programs (responding to a CSO/academic critique),[[5]](#footnote-5) but did not address from where supplementary funds to meet expanded crisis obligations might come.[[6]](#footnote-6)

All in all, I think all my colleagues would agree that we don’t feel we “own” the new policy; indeed, I suspect we remain quite critical on a number of dimensions. Nevertheless, I believe it gives us an opening to press our case in countries and in further policy development at IMF headquarters. In any event, the Fund now has its new strategy to guide its engagement on social spending.[[7]](#footnote-7) It intends to follow up by end-2020 with a set of guidelines for use by Fund staff in their discussions with governments during annual “surveillance” reviews and in negotiating conditions for loans.

The new IMF policy should involve more focus on social spending in its annual country surveillance reports and more technical assistance for countries that seek to adopt social spending policies that are “adequate, efficient and financially sustainable.” The strategy promises closer cooperation than in the past with other international institutions that have more expertise on specific social policies than the Fund.[[8]](#footnote-8) The Fund’s own assistance would mainly focus on government planning and budgeting of the basic services and cash transfer payments, plus advice on improving public expenditure efficiency and resource mobilization for fiscal sustainability over the medium-to-long run.

In those instances in which governments need to seek an IMF loan, the “conditionality” associated with the loan should now consider “measures to offset the adverse effects of adjustment on poor and vulnerable households, and to enhance the political and social sustainability of programs,” as noted in the summary of the executive board discussion of the strategy on social spending. Executive Directors also “called for appropriately sequencing reforms to cushion the impact on the vulnerable while noting that the nature and extent of conditionality should be informed by a country’s macro-fiscal context, political economy considerations, and social objectives.”

## What might GCSPF do next?

GCSPF might well take advantage of the opening to influence—or at least lobby for—stronger social protection floors (SPFs) in countries where members are active. It might also continue to engage with IMF staff involved in policy review and reform, as with Executive Directors from supportive governments.

### In-country advocacy

GCSPF members that are active in individual countries could first seek, in collaboration with other CSOs, labor organizations and academics in the country when appropriate, a fuller appreciation of their countries social protection policies and their shortcomings, as regards program design, administration, monitoring and reliability of funding. Individually or together with partners, they should contact the IMF resident office if one exists and propose a consultation on social protection. If nothing else, this alerts IMF to there being an active civil society involvement in SPFs. They should also seek to meet with the next visiting IMF mission and propose the mission visits communities outside the capital city, accompanied by NGO partners, to see firsthand the degree of social support provided by the government and other stakeholders, as a step to assess unmet needs.[[9]](#footnote-9) In the case of normal annual surveillance missions, the GCSPF team could request to see and comment on preliminary drafts of the report, and prepare a review of the final report. This proposal would apply even more importantly to IMF missions intending to prepare a conditional loan program.

A model for such interaction with IMF might be forged in the four countries in which GCSPF will have active CSO teams as part of the EU project be discussed in other working groups.

### Advocacy at IMF

It seems important to monitor how the new IMF policy is implemented across countries, drawing both on IMF’s own monitoring of its policy and what might be learned from GCSPF country experiences, as above. It could be useful to share our assessments over time with relevant Fund staff (mainly from the Fiscal Affairs Department and the Strategy, Policy and Review Department, with the former expected to be usually in the lead). It could also be useful to engage with supportive Executive Directors (who have to be identified), as at the semi-annual Fund and Bank meetings at which informal meetings with government representatives have become almost routine. A further challenge might be to interact with the Group of 24 (finance ministers and central bank heads from Africa, Asia and Latin America). These are frankly the people who usually push back against proposals to increase funding for social protection floors.

An informal working group of GCSPF might be formed to take on this headquarters monitoring and advocacy task and report periodically to the full group. It could also liaise with the in-country efforts.

1. *The IMF and Social Protection*, Report of the Independent Evaluation Office, Washington, D.C. (<https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>). [↑](#footnote-ref-1)
2. Quite a few of the critical studies were collected as background for the Independent Evaluation Office policy review by Joshua Wojnilower (2017). “External Perspectives of the IMF and Social Protection,” IMF Independent Evaluation Office, Background Document BD/17-01/02 (included in above link). [↑](#footnote-ref-2)
3. Press and civil society authors have noted the destabilizing political developments set off by austerity programs (or proposed programs) in such countries as Argentina, Egypt, Greece, Haiti, Iran, Jordan, Kyrgyzstan, Nicaragua and Tunisia. [↑](#footnote-ref-3)
4. GCSPF, “The IMF’s new policy framework on social protection,” posted at <http://www.socialprotectionfloorscoalition.org/2019/01/the-imfs-new-policy-framework-on-social-protection/>. [↑](#footnote-ref-4)
5. To qualify for a standard IMF loan, a government has to commit to a variety of policy conditions that are meant to deliver the country to a more sustainable macroeconomic situation by the end of the “adjustment” program. The loan is disbursed in quarterly tranches and quantitative policy targets (e.g., budget balance, reserves of foreign currency) must be met for disbursement to take place (although the Executive Board can grant waivers). Loans can also have structural conditions (e.g., strengthen sovereign debt administration, enact pension reform) which are monitored more loosely. Not surprisingly, quantitative conditions are implemented more reliably (IMF recently undertook a major self-assessment; see “2018 review of program design and conditionality,” IMF Policy Paper, May 2019 (<https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/05/20/2018-Review-of-Program-Design-and-Conditionality-46910>). [↑](#footnote-ref-5)
6. One proposal for addressing this is in Barry Herman (2019), “A compact for assured and sustainable financing of social protection floors in developing countries” (<http://www.socdevjustice.org/>). [↑](#footnote-ref-6)
7. “A strategy for IMF engagement on social spending.” IMF Strategy Paper, Washington, D.C., June (<https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/06/10/A-Strategy-for-IMF-Engagement-on-Social-Spending-46975>). [↑](#footnote-ref-7)
8. According to the summary of the Executive Board discussion of the new policy (included in the above-referenced document), the improved collaboration should be “notably with the World Bank” whose views are not always well aligned with those of ILO, UNICEF and other UN agencies. [↑](#footnote-ref-8)
9. Nicolas Mombrial of the IMF Communications Department, who works with the CSO community at IMF, orally promised during the CSO Forum at the 2019 IMF/World Bank Annual Meetings in October to help facilitate meetings with civil society in member countries. [↑](#footnote-ref-9)