IMF Policies and Social Values

Are They Compatible?

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Summary

• The work of the Fund
• The extension of the Fund’s mandate to poverty and debt reduction
• Emerging importance of social issues
• Recent and future developments
The work of the Fund

• Historical mandate: macro-stabilization (Articles of Agreement, 1945)

• Modalities:
  – Surveillance
  – Policy advice
  – Financial assistance
  – Technical assistance
Should the Fund be concerned with social issues?
Arrangements in place
November 31, 2003

- Stand-By, Extended Facility (middle-income countries): 19
- Poverty Reduction and Growth Facility (low-income countries): 39
- Advanced countries: zero
The program work of the Fund is now entirely with low- and middle-income countries
Poverty reduction

• Increased attention to low-income countries since the 1980s
• Focus is on development as a macroeconomic challenge, with particular emphasis on fiscal sector
• Fund is one actor among many: international division of labor and the PRSP approach
• Instruments:
The PRSP approach (1999 onwards)

- Multi-year poverty strategy document
- Country-driven, participatory
- Result-oriented, comprehensive
- Partnership-oriented: common framework for development partners (including Fund with PRGF)
- Long-term perspective
The fiscal sector and social issues

• One of the core areas of the Fund
• Developing countries:
  – Expenditure management
  – Size/composition of expenditure
  – Efficiency
  – Aid absorption capacity
• Advanced countries:
  – Social security and demographic imbalances
The experience with poverty confirms that social issues matter

• Role of ownership (and cooperation with Fund)
• Poverty is multidimensional
• Growth needs “soft” and “hard” inputs
• Fund-supported programs have social impact – and increasing visibility
• Economic development must be comprehensively and consistently addressed by the international community
Recent/future developments

- Millennium Development Goals
- Governance
- Poverty and Social Impact Analyses
- Relations with civil society
Millennium Development Goals

• Long-term perspective with measurable targets
• The Fund is recasting its work in low-income countries consistently with the international effort to achieve MDG objectives (Monterrey, Johannesburg)
• The Fund’s role focuses on macro-implications of MDG effort...
• ... and on the needed policies and actions: the Global Monitoring Report
• Issues: the tension between realism and ambition
Governance

• Importance of sound policies / institutions for success of economic policy
• The boundaries of Fund intervention in governance:
  – Governance is a national prerogative
  – Fund’s interest stems from macro-relevance
  – But issues must be confined to economic aspects
• Instruments:
  – Standards and Codes (for transparency)
  – Public expenditure management
  – Program reviews / suspension
Poverty and Social Impact Analysis

- Analysis of distributional impact of policy reforms
- Objectives:
  - Understand impact of policies
  - Assess policy alternatives
  - Design compensating measures
- World Bank leads, but Fund plans to expand its role
The Fund and civil society

- The principle of intensified relations is in PRSP
- Openness, transparency of Fund operations imply public scrutiny but also constructive relations with civil society
- Regular consultations with NGOs, trade unions, national assemblies
- Intensified relations with civil society in program countries
Conclusions

- The Fund’s mandate has evolved since 1945
- Focus is still on macro-stabilization
- But macro-stabilization means also poverty/debt reduction...
- ... where attention to social issues is particularly important
- Social issues are here to stay
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