

IMF Policies and Social Values

Are They Compatible?

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Economy, Society & Justice

Free Market: Means or End?

USI - Università della Svizzera italiana

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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:
 - Poverty: SAF (1986), ESAF (1987), PRGF (1999)
 - Debt reduction: HIPC (1996) and Enhanced HIPC (1999)

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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