THE IMF AND SOCIAL PROTECTION
LESSONS FROM INDEPENDENT EVALUATION

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ECLAC XXX Regional Fiscal Policy Seminar
March 26-27, 2018
IEO origins and mandate

- Established in 2001
- Conducts independent and objective evaluations of Fund policies, activities, and products
- Three interrelated objectives:
  - “Support the Executive Board's institutional governance and oversight responsibilities” by supporting **accountability**
  - “Enhance the **learning** culture within the Fund” by increasing the ability to draw lessons and integrate improvements
  - “Strengthen the Fund's external credibility” through enhanced **transparency** and two-way communication
- Role is evaluation not audit or inspection
IEO Governance — “Independence is Crucial”

- Independent of IMF Management and Staff
- Operates at “arm’s length” from the Executive Board
- Director responsible for topic selection and hiring
- Entitled to access all internal information with limited exceptions
- Budget independent from the IMF’s (about ½ percent of total)
- Small (2 evaluations completed a year) but strategic
- Active follow-up built into governance structure
- External reviews every five years
IEO — Recent Work

Recent evaluations:
- The IMF and Fragile States (2018)
- The IMF and Social Protection (2017)
- The IMF and the Crises in Greece, Ireland, and Portugal (2016)
- Behind the Scenes with Data at the IMF (2016)

Recent Updates:
- IMF Exchange Rate Policy Advice (2017)
- Multilateral Surveillance (2017)
IEO — Impact on IMF Policies

Recent Board approved policies:

- Overarching Strategy on Data and Statistics at the Fund in the Digital Age
- Program Design in Currency Unions
- Collaboration between Regional Financial Arrangements and the IMF

In train:
- IMF’s Engagement in Social Protection: an Institutional View
The IMF and Social Protection

Why this evaluation?

- Social protection is not an explicit part of the IMF’s mandate but has received increasing attention from the Fund as an important contributor to macroeconomic stability.
- Fund continues to be criticized for prioritizing adjustment over protection of vulnerable groups.
- The IMF has only limited capacity and expertise on social protection issues and needs to work closely with development partners.
What is the IMF’s role in social protection?

- **Management** has consistently pushed the Fund to pay more attention to social issues.
- **Internal guidelines** have evolved to encourage increased attention to a range of newly-emerging “macro-critical issues”
- **Staff** is given leeway to decide how to cover social protection depending on “macro-critical” test and in-house resources.

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<tr>
<th>POTENTIALLY MACRO CRITICAL</th>
<th>IMF EXPERTISE</th>
<th>LACK OF IMF EXPERTISE</th>
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Source: Guidance Note for Surveillance under Article IV Consultation (IMF, 2015).
What has the IMF done on social protection?

- Over the past decade, the IMF has expanded its work on social protection
  - From its traditional focus on fiscal sustainability…
  - To taking into account inequality and other social concerns as key for macro stability and the sustainability of programs

- Increased activity seen in surveillance, lending, and technical assistance
Surveillance

Incidence of social protection advice in Article IV consultations

Types of advice:

- Strengthen social safety net / social transfers / provision of social services
- Enhance active labor market policies
- Protect / create fiscal space for social spending / programs
- Protect vulnerable groups / limit social cost of reforms
- Reduce or better target social benefits / transfers
- Reform pension / social security system

Source: IEO.
Has IMF engagement been effective?

- In surveillance: wide variation across countries
  - Sometimes reflected in-depth quality analysis, an appropriate response to country-specific factors, “macro-criticality” assessment, and availability of expertise from partners.
  - However, the IMF’s policy advice was not always very deep, especially when it moved beyond fiscal concerns to reflect broader considerations for addressing social protection issues
  - Sometimes attention devolved into “box-ticking exercise” with little value added
  - Need for more coherent and consistent approach, less driven by idiosyncratic factors and differing degrees of staff interest and expertise
Lending

IMF arrangements with conditionality aimed at strengthening social protection

Source: IEO analysis, drawing on IMF MONA database and program documents.
Has IMF engagement been effective?

- In the **program context**: inconsistent results
  - The IMF took account of social protection concerns as a general practice
  - But efforts to mitigate adverse effects of program measures on vulnerable groups had mixed success
    - **Authorities’ concern**: IMF could be insufficiently attuned to local conditions
    - **Implementation challenges**: local capacity constraints, differences in country commitment
Has IMF worked well with partners?

- The IMF continues to rely on development partners for expertise and design advice.
- IMF’s main contributions: advocacy with Finance Ministries and identification of needed fiscal space.
- The IMF’s targeting approach to social protection was generally in line with the World Bank’s approach during the evaluation period.
- The targeting approach meshed less well with the universal rights-based approach to social protection espoused by UN agencies including the ILO.
Has the IMF communicated clearly to the public?

IMF external communications made efforts to **emphasize the Fund’s “human face”**…

The IMF is committed to protect the most vulnerable

In many program countries—from Tanzania, to Honduras, to the Kyrgyz Republic—per capita public spending on health and education has significantly outpaced per capita GDP increases.


Stakeholders, especially civil society, have not always been convinced – in part because of heightened expectations
Evaluation recommendations

1. **Establish a clear strategic framework** to guide IMF involvement in social protection among multiple competing priorities.

2. **Provide tailored policy advice based on in-depth analysis** when social protection is determined to be a macro-critical priority under the strategic framework.

3. **Find more realistic and effective approaches to program design and conditionality** to ensure that adverse impacts of program measures on the most vulnerable are mitigated.

4. **Realistically explain the IMF’s approach** to social protection issues in external communications.

5. **Engage actively in inter-institutional cooperation** on social protection.
Reactions and follow-up

- **Management and Executive Board** endorsed the need for the IMF to work in this area given the increasing recognition of the macro relevance of inequality and social strains and **supported all IEO recommendations**
- Report attracted broad attention from **civil society**
- Management and staff prepared an **implementation plan** which was approved by the Board
- Plan build around a Board paper to provide an “**institutional view**” to guide the Fund’s engagement on social protection
Takeaways for fiscal policy makers

- **IMF can provide helpful strategic advice on social protection** drawing on cross-country experience applied to local conditions.
- **IMF comparative advantage** is identifying fiscal space, prioritization, and building support.
- **Greatest value when IMF and MDBs work closely together.** Development banks have design and implementation expertise.
- **Push the IMF** to provide what you need.
THANK YOU!
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