New Frontiers of Social Policy
Development in a Globalizing World

Arusha, Tanzania
December 11-15, 2005
Integrating Macroeconomic Policies and Social Objectives:
Choosing the Right Policy Mix for Poverty Reduction

Elliott Harris (IMF)
Caroline Kende-Robb (World Bank)
Key Messages

- Macroeconomic and social policies need to be fully integrated from the conceptual stage

- Integration requires an interdisciplinary approach

- Even within constrained economic circumstances, there is room for choices that enhance the pro-poor bias of policies
Overview

A Conceptual Structure

Weighing Macroeconomic Policy Choices

Examples of Pro-Poor Macroeconomic and Structural Policy Choices

The Policy Making Process

The Agenda Ahead

A Conceptual Structure

Macroeconomic policies and structural reforms affect social outcomes. Should be designed with these in mind.

Social policies should be designed with clear understanding of macroeconomic opportunities and constraints affecting implementation.

Understanding transmission mechanisms is key to analyzing likely poverty and social impact of policy changes, and using this analysis to inform policy debate and choice.

There are important methodological issues.
A Conceptual Structure - Methodology

- A multidimensional definition of poverty
- Institutional, political, and social analysis
- Understanding transmission channels
- Poverty and Social Impact Analysis
  - Integrating existing data sets
Overview

A Conceptual Structure

Weighing Macroeconomic Policy Choices

Examples of Pro-Poor Macroeconomic and Structural Policy Choices

The Policy Making Process

The Agenda Ahead
Weighing Macroeconomic Policy Choices

- The macroeconomic starting point determines constraints on policy choices
- Within range of sustainable outcomes, there is choice of level and adjustment speed of key variables
- Choice of policy instruments and timing
- Pro-Poor Growth
Overview

A Conceptual Structure

Weighing Macroeconomic Policy Choices

Examples of Pro-Poor Macroeconomic and Structural Policy Choices

The Policy Making Process

The Agenda Ahead
Examples of Pro-Poor Macroeconomic and Structural Policy Choices

- Inflation
  - Anti-inflation measures may slow investment and growth
  - Inflation has different impact on different groups

- Exchange Rates
  - Differential income and price effects of changes in exchange rates
  - Indirect social effects
Examples (cont.)

- Fiscal Policy
  - Revenue raising
  - Public Expenditure
  - Deficit Financing

- Structural Policies
  - Privatization
  - Trade liberalization
Overview

A Conceptual Structure

Weighing Macroeconomic Policy Choices

Examples of Pro-Poor Macroeconomic and Structural Policy Choices

The Policy Making Process

The Agenda Ahead
The Policy Making Process

- Open dialogue on macroeconomic and social policies
- Determinants of the policy making context
- Inclusion
- Linking macro and social policies through the budget
Overview

A Conceptual Structure

Weighing Macroeconomic Policy Choices

Examples of Pro-Poor Macroeconomic and Structural Policy Choices

The Policy Making Process

The Agenda Ahead
The Agenda Ahead

- Integrated approach applicable to many areas of macroeconomic policy
- Three areas of rising importance
  - Managing increased aid inflows
  - Enhancing the macro policy dialogue
  - Improving PSIA
Thank you