

Social Impact Analysis from the IMF Perspective

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IMF's Mandate

- “To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income ... of all members as primary objectives of economic policy”.

The IMF and Social Issues

- Most of the countries the IMF now lends to are poor.
- The quality of adjustment is important.
 - In conducting surveillance and in lending to poor countries, the IMF must be conscious of the social impact of macroeconomic and structural reform policies.
 - The IMF cannot be ignorant of what is needed to help in developing institutions, although others take the lead.
- Sustained poverty reduction requires sustained growth, but the IMF needs to know which growth-enhancing macro policies are most effective in reducing poverty.

Evolution in Thinking

- Mid-1980's and 90's - Board discussions on poverty, income distribution, the design of Social Safety Nets and the composition of public spending in IMF programs.
- 1996 – the IMFC declaration on Partnership for Sustainable Growth
- 1997 – Staff guidelines to improve monitoring of social expenditures and social indicators.
- 1999 – The PRGF replaced the ESAF with major focus on poverty reduction.

The Current Thinking

- The IMF is already committed to integrating Social Impact Analysis (SIA) into PRGF-supported programs.
- Under the SIA concept note, the World Bank will take the analytical lead in countries where capacity is lacking.
- Given the renewed emphasis on streamlining IMF conditionality, there will be an increased reliance on the World Bank for advice on policies in which it has the primary mandate.

SIA and IMF Work

- IMF will provide input for the SIA, in particular, with regard to the selection of macro and structural policies that would be subject to SIA.
- The IMF must be able to understand and integrate the results of SIA into policy design, perhaps modifying the policy mix to minimize negative social impacts.
- Changes in policy design resulting from SIA will need to be reflected in PRGF documents.
- Need for much closer collaboration between Fund-Bank teams.