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The June edition of the Newsletter is devoted to the involvement of the International Monetary Fund (IMF), one of the key international agencies, in social protection issues. It is based on a recently released report of the Special Rapporteur on extreme poverty and human right, Professor Philip Alston (Australia), submitted to the Human Rights Council of the United Nations. The report was received with appreciation by many stakeholders, particularly civil society organizations and trade unions. Taking a very bold, and sometimes critical stance, the Special Rapporteur puts forward important policy recommendations. We publish here some excerpts from his report.

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The role that the IMF plays in the area of social protection is much more than a role of a monetary agency, given the profound impact of its activities on the economic situation in the countries receiving the Fund's assistance. Taking that role as a point of departure, the Special Rapporteur emphasized the need for the IMF to consistently promote the creation of a fiscal space for social protection. Too often, as the report indicates, the IMF, in its role as emergency lender, has been involved in social protection issues with only one objective, namely, limiting the fiscal costs related to social spending. In the Special Rapporteur's words, "proactive policy steps are essential", while "excessively narrowly targeted social protection" has been detrimental for many countries. The conclusions and recommendations of the Special Rapporteur, taken from the above report, are given below.

Conclusions and recommendations

Centrality of the IMF

The Special Rapporteur indicates that the IMF is the single most influential international actor not only in relation to fiscal policy but also to social protection, even if both it and its critics might prefer that this were not the case. Even for high-income economies, its Article IV surveillance reports and its research frame much of the broader debate. The IMF deserves credit for recent policy reforms through which it has acknowledged that it is much more than a monetary agency, although concrete change on the ground has been slower to take effect.

Social protection as genuinely macro-critical

Fiscal sustainability is important, but it can be made compatible with the gradual introduction of broad-based systems of social protection, which in turn ensure the social sustainability of the overall situation. Social protection reduces the economic drain of emergency care, expands employment capabilities, facilitates educational opportunities for the children of the poor and helps to break the cycle of dependency. There are many social protection issues that should be dealt with by other organizations and should remain off the radar

of the IMF, but unless it more consistently promotes the creation of fiscal space for social protection, there is little that other actors can or will do.

Given the impact of IMF policies, it is indispensable that the internal review currently under way examines ways in which it could actually evaluate the impact of its interventions on the bottom income quintile.

Beyond modified neoliberalism

If the IMF is to respond effectively in the years ahead to the challenges in a world in which both globalization and liberal democracy are increasingly under attack, it will need a different mindset from the modified neoliberalism that currently sets the parameters of its thinking, even as it talks about gender, inequality and social protection. Those concerns will not be truly integrated within its mission unless they are embraced as matters of principle and not just pragmatically-driven sideshows.

Beyond targeting for its own sake

The IMF insists that it does not insist on ever-more-precise targeting of social beneficiaries. That claim is difficult to support given the evidence available to the Special Rapporteur. However, given that the scientific literature now highlights the failures of the proxy means tests used in most such targeting, it is essential that the IMF rethink its approach and acknowledge that excessively narrowly targeted social protection ensures that there will be, at best, weak political support for any resulting policies.

Embracing diversity

Institutions are also the sum of their parts and the elite and highly specialized nature of the IMF is reinforced by the composition of its staff. If it is to become less inward-looking, less obsessively self-referential and more genuinely engaged, it needs diversity within.

First, around half of its 2,400 staff members are economists, almost all of whom have been trained in the subfield of macroeconomics. Between 1980 and 2000, 74 per cent of all senior staff appointees had been educated in the United States of America or the United Kingdom of Great Britain and Northern Ireland, and 40 percent had been trained at 10 elite universities in those two countries. Much

criticism since the Great Recession has focused on the increasing belief of economists from those leading universities that their profession is an almost natural science, based exclusively on mathematical models.

Second, cultural diversity is also limited. As at 2017, among "B-level" staff (from division chiefs to department directors), 5.4 per cent are from sub-Saharan Africa, 4.8 per cent from East Asia and 6 per cent from the Middle East and North Africa.

Third, only 25.2 per cent of "B-level" economists are women, including 3 of the 32 senior officials and 3 of the 24 Executive Directors, despite a commitment to enhance gender diversity at the IMF. While macroeconomics as a whole is a field dominated by men, research suggests that this has significant effects on policy preferences, with female economists favouring Government-backed redistribution policies more than males.

The IMF might be expected to dismiss all of these considerations and insist that it is merely doing the job prescribed for it by its Articles of Agreement. However, issues of staff composition, hiring, incentives and training make a huge difference through their impact on internal culture and dominant thinking.

Becoming pro-poor

Extreme poverty is abject, violates basic rights and is a political choice. The IMF needs to move beyond seeing it as just another abstract item on a balance sheet. At present, the professional mindset of IMF staff sees the Fund's role as essentially technical, scientific and apolitical. The imagery often invoked by IMF staff is telling. In critical situations, they see themselves as emergency-room doctors, implying the routine application of prescribed surgical interventions, with no time to consider alternative medical approaches. In surveillance mode, they see themselves as police, also implying that there are rigid rules to be followed. It has been said about IMF economists that "analyses based on numbers, models, and rules seem impartial and fair, they are a defence against accusations of politicized and unprofessional behaviour that can undermine bureaucrats' authority as experts".

What is missing is an underlying ethical framework. Fiscal consolidation, for example, is not neutral; it can be elite-reinforcing, or it can be pro-poor, or much in-between. The choices that are made reflect values, and the means of fiscal consolidation should not become ends in themselves. By proclaiming its mission to be pro-poor, the World Bank does not thereby discard economic logic or abandon markets. IMF personnel often use the term "equity", but it has no defined meaning and rarely serves to focus policies on the situation of those living in poverty. They also speak often of "the vulnerable", but this too is an amorphous and open-ended concept that is rarely given fixed policy content.

Proactive steps are essential. IMF staff often complained to the Special Rapporteur that social protection only becomes a "hot" issue in times of fiscal crisis, by which time it has become unaffordable. But the IMF itself makes all too little effort to raise the issue in the (relatively) good times. A gradual and proactive approach to embedding social protection is required, both by the IMF and Governments. The best starting point would be to engage seriously and systematically with the Social Protection Floor Initiative of the United Nations, the ILO and the WHO.

Costs of replacing politics with technocracy

The political economy of promoting social protection, and inequality reduction, cannot be ignored since neither inequality nor social protection is likely to be taken seriously in authoritarian contexts. This raises the issue of democratic governance, which the IMF would like to assume is far beyond its remit. And indeed, in the broadest sense, it is. The IMF does not exist to promote democracy, but nor does it have a mandate to undermine democratic decision-making. Yet many of its preferred policies promote institutional and budgetary constraints on the workings of democracies. For example, entrenching deficit caps, debt limits and expenditure ceilings all reduce the scope for voters to influence a wide array of fundamental economic and social priorities. At that point, voters are readily tempted by populist political parties with nationalistic, xenophobic and other problematic platforms. Those are issues over which they still have control and which can be

used to persuade voters that their preferences still count. A recent IMF paper promoting the virtues of “independent fiscal councils” begins by asserting that “even the best designed democratic systems require institutional constraints on policy discretion to complement democratic controls and prevent undesirable policy outcomes”. But the reality will often be that democratic controls are replaced by technocratic fiat. The IMF needs to acknowledge the potential negative consequences of such approaches and seek to factor some sort of balancing mechanisms into its recommendations. It is not enough to pretend that policymakers retain a free hand and that the democratic system can always repudiate unpopular policies, when in fact the underlying structures are being reshaped precisely to make this extremely difficult.

Genuine engagement with the outside world

The IMF frequently pays lip service to the important roles played by “development partners”, “external stakeholders”, “the World Bank and other institutions”, and “country authorities” but, as one interlocutor put it, most observers think it acts as though it is a law unto itself. One IMF country representative, when questioned about interactions with civil society, explained how she made a great effort to persuade them to advocate for IMF priorities, but that seemed to be the limits of any collaboration. The IMF should introduce more systematic consultations with a broad range of civil society groups in the context of in-country Article IV reviews, and it should be genuinely open to learning and adjusting its approach. The worldview that emerges from dealing only with the finance ministries of the world is hardly a balanced or adequate one on its own.

If the IMF is to take social protection seriously, it will need the expertise to do so. It should certainly collaborate in a much more concerted and meaningful way with the ILO and UNICEF, among others, but it is unrealistic to assume that it will be able, or would really wish to, outsource much of its work on the issue to the World Bank, unless it has its own in-house expertise to keep a close eye on such collaborative efforts.

For its part, the human rights community must also start undertaking serious engagement

with, and scrutiny of, the work of the IMF. Its work has significant human rights impacts and fiscal consolidation policies can make or break rights.

In a world that is now suffering the consequences of the past lopsided approach of the IMF to globalization and its single-minded pursuit of a model of fiscal consolidation that relegated social impact to an afterthought, the IMF not only bears responsibility for the past but will also determine whether the future will be different. To date, the IMF has been an organization with a large brain, an unhealthy ego and a tiny conscience. If it takes social protection on board seriously, rather than making a tokenistic commitment to minimal safety nets, it can show that it has actually learned from its past mistakes.

The full report is available at:

<http://undocs.org/A/HRC/38/33>

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