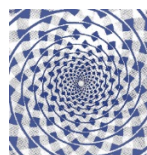


**The IMF's role in social protection:
promising policy shifts and persisting challenges**

**Olivier De Schutter
Nathalie Dubler
Paula Fernandez-Wulff
Anabella Sosa**

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 **UCLouvain**



Institute for Interdisciplinary Research in Legal sciences (JUR-I)
Centre for Philosophy of Law (CPDR)

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Introduction

Although social protection has gained prominence in international policy in recent years,¹ international efforts to make social protection universal –as pledged by Recommendation 202 adopted by the International Labour Conference in 2012—remain insufficient.² Enhanced international cooperation will be necessary if we are to achieve the SDGs by 2030, and international financial organisations have an important role to play in this context.

What role, if any, can the International Monetary Fund (IMF) play in this regard? In April 2020, IMF Director Kristalina Georgieva stated that "[t]hese are the times for which the IMF was created—we are here to deploy the strength of the global community, so we can help shield the most vulnerable people and revitalize the economy".³ In the *World Economic Outlook 2020*, published in October 2020, the IMF highlighted the need for countries to increase healthcare spending and has provided international support in the form of debt relief and concessional financing, emphasizing as well the importance of developing progressive forms of taxation and international tax cooperation.⁴ Civil society organisations however, such as the *Comité pour*

¹ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection". Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

² See Ortiz, I. et al. (2017). "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries". ILO ESS Working Paper No. 48.

³ IMF (2020). "Confronting the Crisis: Priorities for the Global Economy". Speech of Mrs. Kristalina Georgieva. Available at: <https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser>.

⁴ IMF (2020). "World Economic Outlook 2020". Available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>.

l'Abolition des Dettes illégitimes (CADTM), have argued that the IMF's austerity measures have weakened national healthcare systems and delayed a coordinated policy response, preventing developing countries from properly responding to health crises such as Ebola or, more recently, COVID-19. And commentators have also deplored the lack of concrete actions to meet the pledges made by the Fund at the start of the crisis.⁵

How can these apparent contradictions be understood? As the lead agency for international financial stability and monetary cooperation, the IMF exercises major influence over social protection,⁶ and the Fund could play a particularly critical role in ensuring that national social spending is devoted to social protection policies that leave no one behind. The Fund's mandate, of course, is to ensure financial stability, and social protection is not officially among its priorities. Yet, its macro-economic prescriptions may, or may not, favour social protection being defined as a priority in the countries which it assists, since both the fiscal space available and the need to maintain credibility with international creditors are major determinants of such choices made by governments.

1. The IMF's approach towards social protection

The IMF's mandate is to ensure the stability of the international monetary system. It does not explicitly include social protection. Yet, the IMF-led structural adjustments and economic reforms have directly influenced social protection design and implementation around the world. In response to critiques that it was ignoring this impact, the IMF has shifted its stance towards social protection over time.⁷ While social policies were not explicitly addressed until the late 1990s, the financial crisis of 2008 led the Fund to include a reference to social safety nets, together with loan conditionalities, in Least Developed Countries (LDCs).⁸ It is then that the Fund began including non-binding conditionalities that promoted social spending, mostly on health and education. A 2013 study conducted by the IMF itself in fact concluded that "IMF-supported programs have a positive and significant effect on social spending in low-income countries."⁹ A study published in 2017 by the Fund's Independent Evaluation Office (IEO) noted that during the period of 2006 until 2015, on average, around 10 percent of IMF-supported arrangements included structural conditionality to strengthen or better target social

⁵ Stubbs, T., Kring, W., Laskaridis, C., Kentikelenis, K., and Gallagher, K. (2021). "Whatever it takes? The Global financial safety net, Covid-19 and developing countries", *World Development*, vol. 137 (<https://doi.org/10.1016/j.worlddev.2020.105171>)

⁶ Report of the Special Rapporteur on extreme poverty and human rights, Philip Alston (2018). "*The International Monetary Fund and its impact on social protection*". Available at: <https://srpoverty.org/wp-content/uploads/2018/08/international-monetary-fund-impact-on-social-protection-2018.pdf>.

⁷ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Background Document No. BD/17-01/01.

⁸ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Background Document No. BD/17-01/01.

⁹ Clements, B., Gupta, S. and Nozaki, M. (2011) "What happens to social spending in IMF-supported programmes?". *IMF Staff Discussion Note*, p.16. <https://www.imf.org/external/pubs/ft/sdn/2011/sdn1115.pdf>

protection,¹⁰ and in low-income countries, "the IMF sometimes played a significant advocacy role in favor of strengthened social safety nets."¹¹

The "new" IMF approach promoted first under Christine Lagarde's leadership expressed increasing interest regarding poverty, inequalities, and social issues.¹² In response to critics and the pressure exerted by the international community, the Fund shifted its discourse towards social protection and poverty in general by introducing the notion of macro-criticality during the mid 2000's.¹³ An issue is defined as macro-critical by the IMF "if it affects, or has the potential to affect, domestic or external stability."¹⁴ One of the common issues that the IMF defines as macro-critical in most countries is social spending, which includes social protection. Under this modus operandi, the IMF studies the macro-criticality of social spending through focusing on fiscal sustainability, spending adequacy, and spending efficiency of such spending.¹⁵ However, the Fund still lacks standardized criteria to determine macro-criticality: the decision of whether social protection interventions in a country are macro-critical or not is in fact "left to the subjective judgement of IMF staff".¹⁶

The inclusion of social policy into the Fund's programs relies to a great extent on their collaboration with the World Bank, which takes the lead on designing and implementing social safety nets targeted to the ultra-poor.¹⁷ The Fund's reliance on the World Bank's expertise on this matter has a long-standing tradition and is reflected in the Fund's Policy and Guidance decisions since the 1980s. In its 'Financing for Development' Report of 2015, the Fund also highlighted the importance of the Fund's targeted support for countries, "while underscoring that Fund engagement in these areas should focus on policy issues deemed macro-critical for

¹⁰ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection". Evaluation Report, p.21. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

¹¹ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Evaluation Report, p.22. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

¹² Herman, B. (2017). "Social Protection Floors in the Financing for Development Agenda". Inter-Agency Task Force on Financing for Development, Working Paper Series.

¹³ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection". Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

¹⁴ IMF Policy Paper (2019). "A strategy for IMF engagement on social spending". Washington DC. Available at : <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/06/10/A-Strategy-for-IMF-Engagement-on-Social-Spending-46975>

¹⁵ IMF Policy Paper (2019). "A strategy for IMF engagement on social spending". Washington DC. Available at : <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/06/10/A-Strategy-for-IMF-Engagement-on-Social-Spending-46975>

¹⁶ International Organizations Clinic at NYU School of Law (2018). "IMF and Social Protection", pp. 16-17, 48, stating based on interviews with IMF staff that "One staff member noted that virtually anything can be macro-critical in a country." Available at : <https://www.iilj.org/wp-content/uploads/2018/06/The-IMF-and-Social-Protection-NYU-IO-Clinic-Fall-2017.pdf>.

¹⁷ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Background Document No. BD/17-01/01; Global Coalition on Social Protection Floors (2019). "The IMF's new policy framework on social protection". Available at: socialprotectionfloorscoalition.org/2019/01/the-imfs-new-policy-framework-on-social-protection/.

achieving sustained economic growth and be based on a close collaboration with other institutions such as the World Bank.”¹⁸

Consistent with the World Bank's approach, the IMF stands by the idea of reimagining social protection, by no longer seeking to create jobs for life with social insurance, but through a new social contract that introduces the approach of progressive universalism with an innovative use of digital technology. For example, in India, the Direct Benefit Transfer provides subsidies directly to the bank accounts of the poorest, reducing administrative costs and potential payment delays.¹⁹ In 2018, the IMF granted a \$57 billion loan to Argentina, representing the largest loan in IMF history, in which it included social assistance spending floors as a performance criterion.²⁰

The IMF's interest and engagement in social spending issues thus has increased over the past years. The IMF's recent research supports the idea that reducing inequality helps to promote economic growth.²¹ In its report published in 2014, based on data on Guatemala, Malawi, and Myanmar, the IMF shows that the economic growth and reduction of inequality do not always go hand in hand, and that some economic measures that seek to boost economic growth have the secondary effect of increasing inequality.²²

To counter this, the Fund proposes to use mitigation strategies such as targeted cash transfers to boost the productivity of targeted populations.²³ Such targeted measures, staff of the Fund have argued, have a “larger poverty impact for a given transfer”²⁴: in low-income countries (LICs), targeted social protection policies are thus seen to improve expenditure efficiency and therefore to better protect the vulnerable.²⁵ The Fund's social spending programmes have therefore focused mainly on targeting the poorest and most vulnerable population groups. This

¹⁸ IMF (2015). “Financing for Development: Revisiting the Monterrey Consensus,” p. 3. Available at: <https://www.imf.org/external/np/pp/eng/2015/061515.pdf>

¹⁹ Rutkowski, M. (2018). “Reimagining Social Protection. New systems that do not rely on standard employment contracts are needed”. IMF Finance & Development Magazine. Available at: <https://www.imf.org/external/pubs/ft/fandd/2018/12/pdf/world-bank-reimagining-social-protection-rutkowski.pdf>.

²⁰ Global Coalition on Social Protection Floors (2019). “The IMF's new policy framework on social protection”. Available at: <http://www.socialprotectionfloorscoalition.org/2019/01/the-imfs-new-policy-framework-on-social-protection/>.

²¹ Ostry, J.D., Berg, A. and Tsangarides, C.G. (2017). “Redistribution, Inequality, and Growth”. IMF Staff Discussion Note. Available at: <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>.

²² Ostry, J.D., Berg, A. and Tsangarides, C.G. (2017). “Redistribution, Inequality, and Growth”. IMF Staff Discussion Note. Available at: <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>

²³ Fabrizio, S., Kpodar, R. and Lane, C. (2017). “IMF support for the United Nations Sustainable Development Goals”. IMFBlog. Available at: <https://blogs.imf.org/2017/07/19/imf-support-for-the-united-nations-sustainable-development-goals/>.

²⁴ Coady, D. and Le, N.P. (2020). “Designing Fiscal Redistribution: The Role of Universal and Targeted Transfers”. IMF Working Paper. Available at: <https://www.imf.org/en/Publications/WP/Issues/2020/06/26/Designing-Fiscal-Redistribution-The-Role-of-Universal-and-Targeted-Transfers-49502>.

²⁵ Independent Evaluation Office of the International Monetary Fund (2017). “The IMF and Social Protection”. Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

support was provided mostly in the form of direct help to low-income groups through social safety nets.²⁶

The IMF argues that their prioritization of pro-poor targeted social spending interventions is consistent with the fact that those low-income countries have limited fiscal capacity and means.²⁷ The Fund therefore appears not to share the universal approach to social protection of the ILO and in accordance with the Sustainable Development Goals for 2030.²⁸ Critics have noted that the Fund has not put sufficient emphasis on the distributional effects of its promoted social policies or the social costs of insufficient social protection coverage.²⁹ The former UN Special Rapporteur on extreme poverty and human rights attributed this to the IMF's position that human rights are not per se relevant to macroeconomic policy.³⁰ Other actors, such as the Global Coalition on Social Protection Floors, also argue that the Fund should progressively integrate a more human rights-based approach towards social protection.³¹

2. The IMF's mechanisms of influence over country policy priorities

This new IMF approach of considering social protection through the lens of the macro-criticality of social spending has been criticized on a number of grounds.³² Loan conditionalities, it might be argued, reduce the *fiscal space* available for social spending in a country. The Fund's structural adjustment programs, although less common today, have reduced the *policy space*, and therefore the access to certain policy tools, necessary to fight poverty. Finally, the focus on *targeted* social spending can leave sections of the vulnerable population behind and, as noted above, it appears inconsistent with a human rights-based approach focusing on universal social protection.

In order to assess the scope of these various critiques, it is useful to recall the three avenues through which the Fund may exercise a decisive influence on choices made at country level.

²⁶ Independent Evaluation Office of the International Monetary Fund (2017). “*The IMF and Social Protection*”, Evaluation Report, p.11-12. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

²⁷ World Bank Group (2019). “*Targeting versus Universality: is there a middle ground?*”. Social Protection & Jobs, Policy & Technical Note.

²⁸ Independent Evaluation Office of the International Monetary Fund (2017). “*The IMF and Social Protection*”, Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

²⁹ Independent Evaluation Office of the International Monetary Fund (2017). “*The IMF and Social Protection*”, Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

³⁰ Report of the UN Special Rapporteur on extreme poverty and human rights, Philip Alston (2020). “*The International Monetary Fund and its impact on social protection*”. Available at: <https://srpoverty.org/wp-content/uploads/2018/08/international-monetary-fund-impact-on-social-protection-2018.pdf>

³¹ Global Coalition on Social Protection Floors (2019). “*The IMF's new policy framework on social protection*”. Available at: socialprotectionfloorscoalition.org/2019/01/the-imfs-new-policy-framework-on-social-protection/.

³² International Organizations Clinic at NYU School of Law (2018). “*IMF and Social Protection*”. Available at: <https://www.iilj.org/wp-content/uploads/2018/06/The-IMF-and-Social-Protection-NYU-IO-Clinic-Fall-2017.pdf>.

Surveillance advice and expertise

Researchers have noted that “*the IMF surveillance advice has become the institution’s avenue of influence on member states’ policies*”.³³ The IMF’s expertise in surveillance and research has a broad influence on countries’ social protection systems. Surveillance activities allow the IMF to establish long-term plans for, and influence in, a member country.

In recent years, the Fund has shown a particular interest for “fragile” states where austerity measures have been prescribed as a key step towards country success.³⁴ A report prepared by the ILO and partners published in 2015 also found that IMF surveillance has led to major cuts in public spending in developing countries, directly impacting the social security of the population.³⁵

Conditionalities on lending

The second channel through which the Fund has influence over country policies is through establishing conditionalities on lending. Such conditionalities can include reducing public deficits through cuts to social spending or the privatization of publicly owned companies, with the overall goal of promoting economic stability and effectiveness to ensure loan repayment.

Austerity measures are designed to stabilise the debt levels of a country, and they are a condition for accessing further funding from the IMF. When imposed too soon after an economic crisis, however, such prescriptions can have dramatic consequences on people living in poverty and overall economic growth.³⁶ The former UN Special Rapporteur on extreme poverty and human rights, Philip Alston, found that the privatization of public services can lead to the narrowing of these services to those who can afford them, thereby further marginalizing people living in poverty.³⁷ Moreover, the Fund’s choice to prioritize economic stability by promoting privatizations of publicly owned companies and social spending cuts have led to negative impacts on the country’s social protection systems.

In recent years, the IMF has admitted that responses less radical than privatizations, such as improvements to the management of publicly owned companies, could lead to gains for the public sector,³⁸ which could then be invested in the promotion of social protection interventions. The Fund has also recently proclaimed a shift away from its conditionality

³³ International Organizations Clinic at NYU School of Law (2018). “*IMF and Social Protection*”. Available at : <https://www.iilj.org/wp-content/uploads/2018/06/The-IMF-and-Social-Protection-NYU-IO-Clinic-Fall-2017.pdf>.

³⁴ International Trade Union Confederation (2020). “*The IMF’s Renewed Supply-Side Push: Four decades of structural adjustment and austerity conditionality*”. Available at: https://www.ituc-csi.org/IMG/pdf/imf_s_renewed_supply-side_push.pdf.

³⁵ Ortiz, I. et al. (2015) “*The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries*”, ESS Working Paper No. 53, ILO.

³⁶ Report by the UN Special Rapporteur on extreme poverty and human rights, Olivier De Schutter (2020).

“Looking back to look ahead: A rights-based approach to social protection in the post-COVID-19 economic recovery”. Available at: <https://www.ohchr.org/Documents/Issues/Poverty/Covid19.pdf>.

³⁷ Report by the UN Special Rapporteur on extreme poverty and human rights, Philip Alston (2018). “Privatization”. Available at: <https://undocs.org/A/73/396>.

³⁸ IMF (2018). “*Managing Public Wealth*”, Fiscal Monitor. Available at: <https://www.imf.org/en/Publications/FM/Issues/2018/10/04/fiscal-monitor-october-2018>.

policies, acknowledging the importance of counter-cyclical spending, the costs of high-income inequality, and the adverse consequences of inadequate social protection policies.³⁹

The IMF, however, has not delivered on its promise to move away from its conditionality principles, and it has in fact increased the number of conditionalities.⁴⁰ The reduction of public expenditures on health has in fact increased inequalities and neonatal mortality rates and, while the Fund added social safeguards into its programs, such safeguards have made little difference in practice.⁴¹ The Bretton Woods project, an NGO uniting the critical voices of the World Bank and the IMF, has criticized the implementation of austerity measures for being “*institutionalized as the new norm*,”⁴² and the adjustment shocks for affecting developing countries and their populations more severely.⁴³ Indeed, despite such critiques, new conditionalities related to fiscal consolidation have been included as recently as the IMF’s response to COVID-19.⁴⁴

The Fund's gatekeeping role for third party lending

The third channel through which the Fund has influence over country policies, i.e. also social protection, is its endorsement of third parties. The Fund has a unique auditing function on other international lenders, such as development banks, for example. The Fund’s approval of a country’s macroeconomic and fiscal conditions indirectly affects this country in the sense that the Fund influences their reputation to receive lending from other international lenders.

It has been suggested that the Fund could use its unique gatekeeping role for third-party lenders to create more fiscal space at national levels by recommending re-allocating public expenditures, increasing tax revenues, eliminating illicit financial flows, mobilizing domestic resources to expand social protection or/and debt restructuring or cancellation.⁴⁵ One example of this would be to introduce a new allocation of Special Drawing Rights (SDRs), as several civil society organisations have asked for, especially in the context of the Covid-19 crisis.⁴⁶ The

³⁹ Kentikelenis, E., et al. (2016). “*IMF conditionality and development policy space, 1985–2014*”, Review of International Political Economy, Vol.23(4), p. 543-582.

⁴⁰ Kentikelenis, E., et al. (2016). “*IMF conditionality and development policy space, 1985–2014*”, Review of International Political Economy, Vol.23(4), p. 543-582.

⁴¹ Forster, T., A. Kentikelenis, T. Stubbs, and L. King (2019). “Globalization and Health Equity: The Impact of Structural Adjustment Programs in Developing Countries.” *Social Science & Medicine*, cited in Gallagher, K. P. and Maldonado Carlin, F. (2020) “*The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index*”. Available at: <https://www.bu.edu/gdp/2020/09/15/the-role-of-imf-in-the-fight-against-covid-19-the-imf-covid-19-response-index/>.

⁴² Bretton Woods Project (2019). “*IMF and World Bank complicit in 'austerity as new normal', despite availability of alternatives*.” Available at : <https://www.brettonwoodsproject.org/2019/12/imf-and-world-bank-complicit-in-austerity-as-new-normal-despite-availability-of-alternative>.

⁴³ Ortiz, I. and Cummins, M. (2019). “*Austerity: The New Normal A Renewed Washington Consensus 2010-24*”, Working Paper. Available at: https://www.ituc-csi.org/IMG/pdf/austerity_the_new_normal_ortiz_cummins.pdf.

⁴⁴ Ambrose, S. (2020). “*In the midst of the pandemic, why is the IMF still pushing austerity on the Global South?*”, OpenDemocracy. Available at: <https://www.opendemocracy.net/en/oureconomy/midst-pandemic-why-imf-still-pushing-austerity-global-south/>.

⁴⁵ Ortiz, I. and Cummins, M. (2019). “*Austerity: The New Normal A Renewed Washington Consensus 2010-24*”, Working Paper, pp. 50-51. Available at: https://www.ituc-csi.org/IMG/pdf/austerity_the_new_normal_ortiz_cummins.pdf.

⁴⁶ Globalcovidresponse.org (2020). “*A Global COVID-19 Response with Special Drawing Rights*”. Available at: <https://globalcovidresponse.org/>.

Fund however has been reluctant to pursue this, and it is not using its unique position to promote international financing for the reduction of poverty and inequality.⁴⁷

3. The IMF's response to the COVID-19 crisis

The response of the Fund to the COVID-19 crisis provides a useful testing ground for the ability of the Fund to strengthen social protection, or instead for its role in undermining country's efforts to do so. The analysis of this response illustrates the sharp contrast between the efforts deployed to meet countries' financing needs, and the content of the conditionalities imposed in the name of fiscal sustainability.

Trivial amounts of new financing made available

The crisis has led to a higher exposure of already vulnerable, developing countries to economic shocks, and it has highlighted the need for these countries to have rapid liquidity available in order to respond quickly to the crisis. The UN and the IMF have estimated that the emerging market and developing countries “would need at least USD 2.5 trillion in 2020 and more in 2021 to avoid economic collapse.”⁴⁸

The IMF has an important role to play in increasing these countries' abilities to leverage their liquidity. However, the IMF's response to developing countries' needs during the current crisis has actually been very limited.⁴⁹ New financing made available by the IMF and regional banks as a response to the COVID-19 crisis accounts to only \$90.11 billion, representing only 12.6% of their available resources.⁵⁰ \$88 billions of this sum represent the IMF's approved financing requests of 84 countries since March 2020, which again are rather trivial sums compared to the existing \$2.5 trillion financing gap.⁵¹ Furthermore, of these \$88 billion, only \$36 billion had been disbursed as of October 2020.⁵²

The IMF offers different credit facilities with which countries can access IMF financing, most of them on a concessional basis. Since the beginning of March 2020, the IMF has expanded its facilities in order to allow countries to respond to the pandemic. Measures taken in this regard include the raising or even suspending of limits to access certain credits, the expansion of trusts to allow for debt relief, or even the introduction of a new instrument, the so-called Short-Term Liquidity Line, offering rapid liquidity support for member countries with “strong policy

⁴⁷ International Organizations Clinic at NYU School of Law (2018). “*IMF and Social Protection*”. Available at : <https://www.iilj.org/wp-content/uploads/2018/06/The-IMF-and-Social-Protection-NYU-IO-Clinic-Fall-2017.pdf>

⁴⁸ UNCTAD (2020). “*From the Great Lockdown to the Great Meltdown: Developing Country Debt in the Time of Covid-19*”. Available at: https://unctad.org/system/files/official-document/gdsinf2020d3_en.pdf and IMF (2020). Press Briefing by Kristalina Georgieva on March 27, 2020. Available at: <https://www.imf.org/en/News/Articles/2020/03/27/tr032720-transcript-press-briefing-kristalina-georgieva-following-imfc-conference-call>.

⁴⁹ Stubbs, T. et al. (2020). “*Whatever it takes? The global financial safety net, Covid-19, and developing countries*”, World Development Vol.137.

⁵⁰ Stubbs, T. et al. (2020). “*Whatever it takes? The global financial safety net, Covid-19, and developing countries*”, World Development Vol.137, p.1.

⁵¹ Stubbs, T. et al. (2020). “*Whatever it takes? The global financial safety net, Covid-19, and developing countries*”, World Development Vol.137, p.4.

⁵² Stubbs, T. et al. (2020). “*Whatever it takes? The global financial safety net, Covid-19, and developing countries*”, World Development Vol.137, p.4.

frameworks”.⁵³ However, even if all these measures increase accessibility to credits, they do not raise the total amount of money made available by the IMF in order to respond to the crisis: “the only genuinely fresh funding is the \$285mil committed to the Catastrophe Containment and Relief Trust, a mere fraction of existing lending firepower and far short of the acknowledged \$2.5tn need.”⁵⁴ These credit funds, however, can only be used for debt relief and, since they are not grants, they will have to be returned to the IMF.

Renewed austerity measures and conditionalities

Although the IMF has not included conditionalities in the form of austerity measures in many recent financing programmes,⁵⁵ doubts remain about the implementation of these programmes in practice. Through an analysis of 80 countries, Eurodad found in October 2020 that the Fund is actually increasing the number of austerity measures in its newly granted programmes. To be implemented by 2023, these measures are worth nearly 4% of the countries' GDPs on average.⁵⁶ Furthermore, in most of the analysed countries, fiscal consolidation plans are actually up to five times larger than the COVID-19 response packages implemented by the countries themselves.⁵⁷

Taken together, the increased austerity measures, recommended expenditure cuts, and raised debt burdens shift the cost of the crisis to the most vulnerable. In Ecuador, for example, expenditure cuts and the economic impacts of the crisis have led to a collapse of the healthcare system. In order to get debt restructuring with the IMF, Ecuador needs to deliver on austerity measures amounting to nearly 6% of its GDP by 2023.⁵⁸ Ecuador is but one of many developing countries facing austerity measures imposed by the IMF. Eurodad shows that 40 out of 80 analysed countries are expected to make expenditure cuts at least equivalent to their entire healthcare budget.⁵⁹ Such cuts directly influence the establishment of functioning social protection systems, and they significantly impede efforts towards universal health coverage.

What emerging economies and developing countries mostly need in order to tackle the current crisis, apart from new liquidity, is debt relief.⁶⁰ After the pandemic, many countries will be left even more vulnerable and will face much higher debt burdens. As the Eurodad study shows, thirty countries will have a debt burden at least equivalent to their COVID-19 response

⁵³ IMF (2020). “Short-term Liquidity Line (SLL)” Factsheet. Available at: <https://www.imf.org/en/About/Factsheets/Sheets/2020/04/17/short-term-liquidity-line#:~:text=As%20demand%20for%20liquidity%20has,spilling%20over%20to%20other%20countries.>; Stubbs, T. et al. (2020). “Whatever it takes? The global financial safety net, Covid-19, and developing countries”, World Development Vol.137.

⁵⁴ Stubbs, T. et al. (2020). “Whatever it takes? The global financial safety net, Covid-19, and developing countries”, World Development Vol.137, p.2.

⁵⁵ Gallagher, Kevin P. (2020). “The IMF’s return to austerity?”. Available at: <https://www.ips-journal.eu/topics/democracy/the-imf-held-hostage-4710/>.

⁵⁶ Munevar, Daniel (2020) “Arrested development International Monetary Fund lending and austerity post Covid-19”, Eurodad, p.10.

⁵⁷ Munevar, Daniel (2020) “Arrested development International Monetary Fund lending and austerity post Covid-19”, Eurodad, p.11.

⁵⁸ Munevar, Daniel (2020) “Arrested development International Monetary Fund lending and austerity post Covid-19”, Eurodad, p.11.

⁵⁹ Munevar, Daniel (2020) “Arrested development International Monetary Fund lending and austerity post Covid-19”, Eurodad, p.2.

⁶⁰ Gallagher, Kevin P. (2020). “The IMF’s return to austerity?”. Available at: <https://www.ips-journal.eu/topics/democracy/the-imf-held-hostage-4710/>.

packages by 2023. Nevertheless, the IMF's debt sustainability assessment classifies these debt dynamics as 'sustainable'.⁶¹ A solution based on debt relief could allow countries to make the necessary policy responses to mitigate the socio-economic effects of the pandemic without leaving behind vulnerable population groups.⁶²

The insufficiency of achieving revenue mobilization through indirect taxes

There exists growing evidence that profit shifting by international corporations and fighting against tax havens could contribute to domestic resource mobilization and therefore aid in addressing public deficits. Yet the IMF has continued to support increases in indirect taxes such as consumption or VAT taxes despite the disproportionate impact of these increases on vulnerable populations. Research has shown that indirect taxes not only shifts the tax burden towards local populations, hampering equitable recovery and potentially entrenching existing inequalities,⁶³ but they also lack universality in countries with large informal sectors.⁶⁴

4. Conclusion

The IMF has an ambiguous approach towards social protection. After widespread criticism against the IMF's implementation of austerity measures in member countries, the IMF has taken a promising policy shift, promoting a new view of social protection. Some of these promises, such as lowering or even eliminating conditionalities and promoting social spending especially in health matters, are present in its early response to COVID-19.⁶⁵ But it has not abandoned its primary focus on economic stability through austerity measures. Discrepancies remain between the Fund's announced response to COVID-19 and the real disbursements of funds to countries in order to respond to the crisis.

The IMF must adopt a human rights-based approach towards social protection, going beyond targeting. It should not only seek to mitigate the effects of its programs towards the vulnerable, but also promote social protection floors in a way that is compatible with fiscal sustainability in order to allow countries to create the necessary fiscal space for social protection.⁶⁶ The IMF should also foster its collaboration with other international organisations in order to achieve an international financial system that is accountable to the persistent socio-economic challenges exacerbated by the COVID-19 pandemic and future shocks. Indeed, while the Fund has often

⁶¹ Munevar, Daniel (2020) "Arrested development International Monetary Fund lending and austerity post Covid-19", Eurodad; For the IMF's latest comprehensive list of LICs (September 2020), see: <https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf>.

⁶² Stubbs, T. et al. (2020) "Whatever it takes? The global financial safety net, Covid-19, and developing countries", World Development Vol.137.

⁶³ Munevar, Daniel (2020). "Arrested development International Monetary Fund lending and austerity post Covid-19", Eurodad.

⁶⁴ Bernhard Reinsberg et al. (2020). "Taxing the People, Not Trade: the International Monetary Fund and the Structure of Taxation in Developing Countries", Studies in Comparative International Development 55: 278–304, pp.299-300.

⁶⁵ IMF (2020). "World Economic Outlook 2020". Available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>.

⁶⁶ Report of the UN Special Rapporteur on extreme poverty and human rights, Philip Alston (2018). "The International Monetary Fund and its impact on social protection", para. 56. Available at : <https://srpoverty.org/wp-content/uploads/2018/08/international-monetary-fund-impact-on-social-protection-2018.pdf>.

referred to and relied on the expertise of the World Bank when it comes to addressing social protection issues, its cooperation with other international organisations on this matter has remained very limited.⁶⁷ For example, the IMF's participation in SPIAC-B has not been very active. From a total of eleven meetings between 2012 and 2019, the Fund has only been present in five of them,⁶⁸ participating at a senior staff level only since 2018.⁶⁹ Given its renewed interest in social protection, the IMF should increase its cooperation with other international organizations on this topic, including not only the World Bank but also UNICEF and the ILO.⁷⁰ One clear action that could help evolve the IMF's approach regarding social protection would be to participate in the talks for the establishment of a Global Fund for Social Protection for All promoted by the French government and the UN Special Rapporteur on extreme poverty and human rights.

⁶⁷ Global Coalition on Social Protection Floors (2019). "*The IMF's new policy framework on social protection*". Available at: <http://www.socialprotectionfloorscoalition.org/2019/01/the-imfs-new-policy-framework-on-social-protection/>; International Organizations Clinic at NYU School of Law (2018). "IMF and Social Protection"; Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.

⁶⁸ ILO, Social Protection Inter-agency Cooperation Board, Meetings of SPIAC-B. Documents available at: <https://www.ilo.org/newyork/at-the-un/social-protection-inter-agency-cooperation-board/lang--en/index.htm>.

⁶⁹ IMF (2020) Policy Paper No. 20/012: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/03/04/Tenth-Periodic-Monitoring-Report-On-The-Status-Of-Management-Implementation-Plans-In-49245>.

⁷⁰ Independent Evaluation Office of the International Monetary Fund (2017). "The IMF and Social Protection", Evaluation Report. Available at: <https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0724-the-imf-and-social-protection>.