

UPDATES

The Role of the International Monetary Fund (IMF) in Relation to Social Protection: Report of the United Nations Special Rapporteur on Extreme Poverty and Human Rights, Philip Alston (8 May 2018)

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At the 38th session of the Human Rights Council, which sat from 18 June to 6 July 2018, the UN Special Rapporteur on extreme poverty and human rights presented the report under discussion, which focused on the International Monetary Fund (IMF) and its impacts on social protection.

The report finds that while the vast majority of low-income developing states are listed in IMF programmes, any assistance they receive constitutes only 13 per cent of their consumption needs. Moreover, the report notes that the poorest 20 per cent of them are not afforded any form of social protection by the IMF.

As a result, the poorest class of people suffer the deprivation of living in penury without social protection. The question that arises is: What role do their own governments play in response, and, by extension, what role does the international community play?

The IMF defines itself as an organisation aiming to foster global monetary cooperation, ensure financial stability through its fiscal policies, facilitate smooth international trade, promote sustainable economic growth, advance social protection and reduce poverty around the world.

However, the Special Rapporteur's report takes issue with the latter mission of the IMF, contending that for many years its position was that 'social issues' were not its concern and that it addressed itself only to macroeconomic matters, narrowly defined. The report points out that the IMF has long been criticised for its disregard of 'social issues' and its impact on developing countries, including the economic impoverishment brought about by its imposition of structural adjustment policies on African countries.

The report notes that the IMF survived a recession during the 1997 global financial crisis and that even once it returned to its central position in international economic governance in 2009, social protection remained in the realms of fantasy; however, in response to widespread criticism on this score, the IMF undertook a rigorous internal reassessment that involved the revision of aspects of its neo-liberal agenda and the construction of ‘macro-criticality’ theory.

Following this internal reassessment, the IMF regards itself as having changed fundamentally in its approach to a range of issues, among them the question of social protection, albeit that critics see this as a smokescreen. Against this backdrop, the Special Rapporteur set out to examine the impact of the IMF on the human rights of the poor through its work on social protection.



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social and political policies of members’ in its surveillance and lending; hence, it was concluded (after a review in 2010) that the IMF has been ‘a monetary agency, not a development agency’.

The report finds that the current phrasing of the IMF founding instrument does not refer to today’s most compelling issues, let alone to the integration of human rights in its decisions. However, the IMF remained deaf to this criticism and made the self-exculpatory remark that ‘the Articles [that is, its founding instrument] are sufficiently flexible to accommodate major reforms’.

The legal framework and IMF mandate

The IMF derives its mandate from the instrument called the Articles of Agreement of IMF, which empowers it to exercise an oversight and advisory role in financial affairs around the world.

Its stated purpose is, among other things, to contribute to ‘the development of the productive resources of all members as primary objectives of economic policy’. The founding instrument also requires the IMF to ‘respect the domestic

Mandate flexibility in practice

As mentioned, the IMF constructed a macro-criticality theory to use in practice in relation to social protection. This theory covers, among other things, the macro-criticality of human rights; corruption and military spending; and economic and gender inequality.

However, the IMF has not adopted an official position on human rights, and it is reported that its top official informed the Special Rapporteur

that it was not bound by human rights norms, 'except perhaps in cases of genocide'.

Secondly, the IMF has always been reluctant in fighting corruption, in that it would only react to specific instances of corruption when there was a reason to believe that they could have significant macroeconomic implications, such as when the amounts involved are very large. Even though the IMF is currently on a mission to intensify its anti-corruption policy, it is not fully committed to do so, since it apparently fears 'becoming involved in politically charged debates'.

Lastly, the IMF has been applauded for its efforts in tackling gender and economic inequalities.

Conclusion

As a result of the reform the IMF has undergone, the acceptance of the macro-criticality theory of certain elements of social protection ensued. To that end, five recommendations from the 2017 report of the Independent Evaluation Officer are supported and hereby briefly articulated.

The report notes that in January 2018, a management implementation plan announced the preparation of a discussion paper by the Executive Board in February 2019 that would address (1) a definition of social protection; (2) the macro-criticality of social protection; (3) the affordability and efficiency of social protection systems; (4) the potential forms of IMF engagement with social protection; and (5) the position of the IMF on universal access to and targeting of social programmes and collaboration with other institutions.

The IMF is the single most influential international actor in relation not only to fiscal policy but to social protection. For its part, the human rights community must also start engaging seriously with the IMF. Its work has significant human rights implications, given that fiscal consolidation policies can



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either make or break rights. In a world that is suffering the consequences of the IMF's previously lopsided approach to globalisation 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 organisation with what the Special Rapporteur called '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 learnt from its mistakes.

References

Report of the Special Rapporteur on Extreme Poverty and Human Rights on the International Monetary Fund (IMF) and Its Impact on Social Protection. UN Doc A/HRC/38/33 (8 May 2018). Available at <https://bit.ly/2ydICDm>