The IMF and Gender Equality: Operationalising Change

FEBRUARY 2019
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This work is part of the Gender Equality and Macroeconomics (GEM) project, a collaborative effort between the Bretton Woods Project and the Gender and Development Network (GADN), which aims to expose and challenge the ways current macroeconomics policies, particularly those promoted by the International Monetary Fund and World Bank, undermine gender equality. Working with allies globally, the GEM project encourages economic decision-makers to promote alternative gender-just policies.
The objective of this briefing is to stimulate debate and raise critical questions on the latest developments in the IMF’s approach to gender, both between civil society communities and within the IMF itself. It sets the IMF’s latest work against the background of long-standing feminist thinking, with the aim of encouraging the Fund to be ambitious in genuinely and meaningfully addressing feminist concerns in its work.

It aims to do so by firstly summarising the IMF’s gender work since 2013 and documenting various civil society responses to that work. It then moves on to laying-out some of the most recent developments, leading to an in-depth dive into new IMF guidance on gender. In doing so this briefing examines the IMF’s macro-criticality standard for gender issues, methodologies for measuring gendered impacts of conventional IMF policy advice, and the IMF’s approach to policy alternatives. This briefing concludes with an analysis of the wider direction of travel the IMF is heading towards in relation to gender issues and provides the Fund with concrete recommendations to move forward.

A central question running throughout the thinking behind this briefing has been, ‘What is the appropriate role of the IMF in creating an enabling macroeconomic environment for women’s rights and gender equality?’ The analysis in this paper builds on BWP’s previous work addressing that question, specifically in Chapter V of its compendium of feminist macroeconomic critiques of the IMF.1

1. Introduction

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2. The IMF’s gender work: 2013 to 2017 – in brief

Historically, the IMF has believed that what it considers to be social issues, including gender equality, lie outside of its core areas of responsibility. Consequently, before 2013, the IMF largely did not engage in the issue of gender equality, either as an overarching goal it strived to achieve; as something that influenced the macro-economy; or as something that macroeconomic policy can impact. In other words, gender equality was not considered to be ‘macro-critical’ to the IMF, the standard adopted in 2012 by the Fund to assess which issues affect the economy at the macro level and are thus relevant to the fulfilment of its mandate.2

Then, supposedly in response to the headline discussions on inequality sparked by the Arab Spring and Occupy Wall Street movement,3 in 2013, the IMF began to explore a range of “emerging issues”, including economic inequality, social protection, climate change and “gender”. Beginning in 2013, the IMF published research demonstrating the ‘macro-criticality’ of certain issues relating to gender inequality, starting with the potential significant macroeconomic gains to be made from increasing female labour force participation.4 Over the next two years, the scope of this work expanded to research on issues such as the relationship between income and gender inequality, in particular relating to the gender wage gap, as well as gender gaps in financial inclusion, macroeconomic impacts of gender discriminatory laws, the gendered impacts of economic diversification, and extensive research on gender-responsive budgeting.5 This research culminated in the inclusion of “gender” in the 2015 Guidance Note for Surveillance as one of the structural issues IMF “staff may wish to consider” when developing surveillance reports. The guidance specified that “women’s contribution to measured activity and growth is far below potential in many countries,” and that “full participation of women in the labour force could deliver significant macroeconomic gains”.6

With this guidance, the Fund began operationalising its research in 2015 and piloted the inclusion of explicit gender analysis and sometimes recommendations in approximately nine Article IV reviews in 2015, the surveillance reports the IMF conducts annually of each of its member states. The 2015 pilots were generally very varied in scope and content and mostly limited to analysis of gaps in female labour force participation. This work then rapidly expanded in size and scope over the next three years. Analysis of 124 surveillance reports from 2016 revealed the Fund included explicit gender analysis in more than one in five reviews.7 The scope of analysis in these reviews expanded as well to issues previously untouched by its official policy advice, such as the gender wage gap, domestic violence, female infanticide, the availability of day-care and after-school programmes, gender-budgeting, the affordability of care services, access to sanitation as essential for increasing gender equality, women’s participation in national parliaments and private sector executive boards, and women’s reproductive health.8

In lending, the mechanism through which it exerts its most influence, the Fund issued its first explicitly gendered conditionality in 2016, calling on Jordan to increase female labour force participation, including through publicly subsidised nurseries.9 Shortly thereafter, the new IMF loan agreement with Egypt included a requirement for the allocation of EGP 250 million ($13 million) to improve the availability of public nurseries in order to increase female labour force participation as a structural benchmark of the programme. Structural benchmarks are a relatively soft type of conditionality that carry less severe implications for governments if unmet compared to other types of conditionality. A third gendered conditionality was included in Niger’s loan programme in 2017, prescribing it develops a comprehensive five-year national gender action plan with an eye to harness the demographic dividend.

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8 See for example, IMF Staff Report Article IV review of Argentina, 2016.
9 While Jordan’s 2017 Budget Law did include an increase to nursery subsidies, it only went from 2,000 JD (2,825 USD) to 2,500 JD (3,531 USD), or an increase of approximately 700 USD, for the entire country, and was estimated to remain at those levels through 2019; Jordan General Budget Law 2017, Chapter 2801, budget line 2511.
**Early civil society critiques**

As the IMF’s gender work developed over the course of five years, civil society developed a range of early critiques. These included commentaries on the seemingly ad-hoc nature of the piloting approach, the opacity by which the standards of ‘macro-criticality’ were determined, the absence of work on the care and informal economies, and the lack of engagement with feminist economists and women’s organisations in countries where gendered policy advice had been issued. More broadly, this work has also been critiqued as an effort to prove the Fund’s relevance at a time when its economic growth models have led to sharp inequalities, enduring extreme poverty, precariousness and uncertainty, as well as for using women and gender equality as instruments for economic growth rather than pursuing an economic model that works for women and society at large.

Connecting each of these critiques is an underlying thread; the understanding that, rather than only starting to ‘engage’ with gender in 2013, the majority of the ‘bread-and-butter’ macroeconomic policies the IMF has endorsed or prescribed over the last 40 years and continues to promote have and continue to overwhelmingly undermine gender equality and women’s rights. “The need for a radical departure from ‘conventional’ macroeconomic policy to arrive at a macroeconomic policy environment that enhances rather than undermines women’s rights and gender equality equates to a need to challenge the IMF’s longstanding assumptions and policy approaches. Providing macroeconomic policy advice that is consistent with realising women’s rights and gender equality would affect every aspect of the IMF’s mission and mandate, fundamentally reinterpreting the scope of its role. The IMF’s recent move beyond its traditional ‘fiscal-centric’ approach to recognise the ‘macro-criticality’ of issues such as social protection, income equality, and now gender equality, does not mean that it has realised or accepted the need for a radical re-conceptualisation of the norms underpinning the macroeconomic policy framework which it advocates.”

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15 Rightingfinance, Bursting the macroeconomic policy bubble for gender equality, 2016.
3. The IMF’s gender work: latest developments

Building on this work, in June 2018, the IMF released a ‘How-To’ note on Operationalising Gender Issues in Country Work, to provide guidance to its staff on gender issues particularly in surveillance but also in lending. While seemingly not having the same status as a Staff Guidance Note, the report was issued to the executive board for information, not endorsement, and was released simultaneously with another ‘How-To’ note on operationalising inequality issues in country work, meaning income inequality issues.

The note largely summarised the work done and lessons learned in the period between 2013 and 2017, as laid out above. It reiterated that increasing gender equality is integral to delivering on the IMF’s mandate of promoting economic stability and established that, “several surveillance and lending gender pilots have gained traction with authorities” and that overall, the pilot initiative, “has added value by making a strong case for macro-criticality of women’s economic empowerment and highlighting the gender-differentiated impact of fiscal and labor market policies.” Based on these experiences, it then prescribed that:

3.1 Macro-criticality

Given this prescription, the note went on to describe the macro-criticality of gender issues. Establishing gender inequality is a multifaceted concept, covering both inequality in outcomes and in opportunities and recognising underlying barriers to gender equality can include distortions from tax or spending policies, leave options and insufficient childcare options, it concluded economic policy levers can, in fact, be used to reduce gender inequality, even after accounting for personal preferences toward working. It went on to describe some of the dynamics between gender inequality and macroeconomic policy as discussed in literature and as researched at the IMF.

As such, this note still falls short of providing IMF staff with clear guidance on how to determine whether and which gender equality issues are macro-critical and where the boundaries of its mandate lie. This guidance seems unclear in particular because it repeatedly references Cuberes and Teignier’s 2016 paper, which establishes that the costs associated with gender gaps in the labour market are substantial across every country, with gender inequality creating an average income loss in the long run of 15.4 per cent for OECD countries and of 17.5 per cent for developing countries. It cites Sweden as ranking 5th in the OECD in having the least average income loss in the long-run due to gender inequalities. Yet, in its 2015 Article IV review of Sweden, acknowledging the room for output gains from gender equity is smaller in Sweden than in most countries, the IMF found output could still be raised by six per cent if gender equity in participation rates and hours worked improved, establishing its macro-criticality and including it as a gender pilot. Thus, following the IMF’s own reasoning, a case could plausibly be made for the macro-criticality of gender issues in virtually every country. It is also unclear how staff are supposed to measure or compare macro-criticality for different gender-related issues with one another, thereby leaving staff without the tools to prioritise between a now wide range of different gender-related issues. Finally, the guidance also fails to set out clear parameters or limitations of this new work, thereby potentially leaving the door open for mission creep to set in and IMF staff to seriously overstep the boundaries of its mandate. The need for more clarity on the macro-criticality standard as it relates to gender issues is therefore essential.

To guide the IMF in doing so, civil society has already developed work establishing criteria for when economic inequality is macro-critical, presented to the IMF in October 2017. In this analysis, Oxfam developed two main recommendations, which could be equally applicable to developing a framework on the macro-criticality of gender inequality.

19 Oxfam, Great expectations: Is the IMF turning words into action on inequality, panel session minutes, Bretton Woods Project, 13 October 2017.
First, Oxfam recommended\(^{20}\) that the IMF develop surveillance mechanisms that consider the key drivers of the relationship between inequality and macroeconomic policy, such as tight monetary and fiscal targets and the decline of collective bargaining rights. These are some of the same drivers feminist literature has consistently identified as underlying the relationship between gender inequality and macroeconomic policy, that economists should thus take note of, as well as others, such as an increase in unpaid care work burdens of women and girls.

Second, the IMF has been called upon to develop a monitoring system using a “dashboard of indicators that can raise the alarm about the macroeconomic significance of inequality”, linked to clear criteria and an alert process that systematises the Fund’s approach to inequality, rather than rely solely on the subjective judgement, expertise and interests of country staff or governments.\(^{21}\) A similar exercise could be used for levels of gender inequality, using indicators such as those of the Gender Inequality Index (GII) of the United Nations Development Programme,\(^{22}\) which is already mapped on the IMF’s DataMapper\(^{23}\) and used selectively in a handful of research paper and surveillance reports.

Without further developing such a robust and methodical framework for including gender issues in its work, the IMF risks not institutionalising this agenda in the long-term and potentially undermining its sustainability under future management.

### 3.2 Impacts of other macro-economic policies on gender

Throughout the guidance note, a number of references are made to impacts of ‘other’, meaning non-explicitly gendered or ‘conventional’ macro-economic policies on gender.

Paragraph 11 prescribes that consideration should be given to how various policies recommended by staff may interact and have potential differential gendered implications, while paragraph 15 warns that policies would need to be carefully designed to avoid adverse distributional implications, which can ultimately undermine growth and stability. Paragraph 26 goes on to outline these concerns in more detail.

“Country teams should also think about the impact of other macro-economic policies on gender. Some policies recommended by staff to support growth and stability may have differential gender impact that could exacerbate gender inequality. For example, budget cuts on subsidies and social programs, cuts in the public-sector wage bill, or increasing transportation fees might have larger impact on women. In these instances, staff may consider an alternative policy mix to prevent such negative externalities or—if the former is not feasible—suggest some mitigating measures (see a new model tool applied to Argentina (Box 6)). In addition, policy design may need to consider potential trade-offs between government conditionality to improve targeting, such as means-testing, and their gender impact.”

Overall, in particular compared to where the IMF was on gender just five years ago, this paragraph reflects a welcome and important development in the understanding of IMF staff, that its own policy recommendations can indeed exacerbate gender inequality. In light of the central civil society critique outlined above, this paragraph is paramount as it provides a pathway, at least hypothetically, for the IMF to stop doing harm in this context and for its staff to shift towards macroeconomic policies that promote rather than undermine gender equality.

In practice however, the IMF has a long way to go in achieving that. To start with, paragraph 26 raises a range of questions and requires unpacking if IMF staff are expected to use this guidance in practice in a meaningful way. The two areas in particular this paragraph raises crucial questions for are, 1) how will the IMF determine that policies recommended by staff could ‘exacerbate gender inequality’ (or do harm)?, and, 2) what ‘alternative policy mix’ should staff consider in these instances?

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20 Oxfam, Great expectations: Is the IMF turning words into action on inequality, October, 2017.
21 Oxfam, Great expectations: Is the IMF turning words into action on inequality, October, 2017.
22 See UNDP, Gender Inequality Index.
23 IMF, DataMapper <https://www.imf.org/external/datamapper/GII_TC@GD/gbtier_1/gbtier_2/gb_othersource>.
3.2.1 Determining Harm – DSGE Model

The IMF has gone some way in answering the question on how it intends to measure gendered impacts with the extension of its macroeconomic modelling framework for distributional impacts of policies to gendered policy impacts. Specifically, the IMF has developed a dynamic, stochastic general equilibrium (DSGE) model, an econometric method based on applied gender equilibrium theory and microeconomic principles, to assess gendered impacts of macroeconomic policies and reforms and has applied this model in the 2017 Article IV review of Argentina and the 2018 Article IV review of Iran.

In the 2017 Article IV review of Argentina, the IMF applied the new DSGE model to determine the gendered impacts of a proposed tax reform. The suggested reform was a reduction in the labour tax wedge, comprising of reducing employees’ and employer’s contributions to social security and cutting the main tax deduction by half. Applying the model, the IMF concluded these reforms would increase GDP through increased female labour force participation and a decreased gender wage gap, thus endorsing the reforms. While welcoming the IMF’s efforts to measure gendered impacts of its conventional policy advice, this raises a number of questions and concerns.

In its 2018 paper to the G7, the IMF claimed this model measures the impact of policies on gender inequality. To be more precise, as applied to Argentina, this model attempted to measure the impacts of only very particular components of one policy reform, specifically on only female labour force participation rates and the gender pay gap, which constitute just two elements of the multifaceted concept of gender equality. In general therefore, the DSGE model is inherently narrow and can offer only an extremely limited insight into gendered policy impacts.

Missing half the fiscal coin

The significance of this becomes clear when examining what this model does not take into account. In particular, it does not attempt to analyse the gendered impacts of the revenue implications of the reforms. The IMF calculates immediate net costs of these reforms to the government to be 0.3 per cent of GDP, but broadly revenue neutral on the long-term when incorporating supply-side effects to growth.

Yet, the estimate on supply-side effects to growth is based on a number of problematic assumptions, including the understanding that all people have an internalised and immediate capacity to calculate the monetary value of all their decisions and are motivated solely by this calculation. It describes a scenario in which, when tax burdens fall for employers and (female) employees, employers will automatically choose to use that windfall by employing more (female) workers and that there will be a market for this increased production, assuming higher levels of demand and a competitive market. It also assumes when female workers pay less tax they will automatically decide to participate more in formal employment, as they will ‘conclude’ that the money ‘earned’ from the tax break will make up for the value they attribute to the time spent on unpaid care work. None of those assumptions are necessarily proven, which makes up one of the common criticisms of DSGE models generally, and the IMF has provided no data specific to Argentina to support these assumptions. In the event these supply-side effects do not take place to increase growth, revenue rates would decline on the long term, as well as on the short term. Revenue losses seem particularly large risks in the context of the other IMF tax policy advice in the same review, urging the government to go “even further” in their proposed tax reforms that reduce trade tariffs and corporate tax rates from 35 to 20 per cent, “such as by completely eliminating a financial transaction tax”. While staff seem aware of these risks regarding Argentina’s overall tax reform package, even cautioning its government for “relying on uncertain growth effects to offset the revenue losses from the tax reform”, they do not caveat the DSGE model results on these same warnings. In fact, just six months after this IMF policy advice was issued, Argentina entered into the largest loan programme in the history of the IMF, detailing it would delay implementation of the tax wedge reform “as a means to preserve revenues”, demonstrating these concerns are not misplaced.

Given that the majority of feminist macroeconomic literature has focused specifically on the disproportionate impacts on women of austerity measures, not considering the implications of these reforms on the revenue side is a significant omission. A vast literature has been developed over the last four decades evidencing how gender equality is undermined and women’s rights are especially at risk when tax revenues diminish, and governments scale back spending on essential services, most recently by the UN Independent Expert on Foreign Debt and Human Rights in his 2018 report to the General Assembly, as well as by civil society specifically regarding IMF-backed austerity measures. It has thus been long established that, among other issues, women disproportionately work in the public sector, have separate and specific needs for certain public services, including social security, make up a majority of the poor and overwhelmingly carry burdens of unpaid care work, meaning revenue losses that result in reduced government spending can carry substantial gendered impacts, including a decrease in female labour force participation rates and increase in gender wage gaps.

Without considering these lost revenue implications on either the long or short term, in particular revenue that was specifically designated to contribute to social security, the model fails to capture crucial gendered impacts and therefore cannot so far offer a robust enough conclusion on gendered impacts of this particular reform to inform policy. The question this raises is, **whether and how does the IMF intend to expand its modelling framework to enable it to capture the more complex dynamics necessary to evaluate the gendered impacts of macroeconomic policy reforms more robustly?**

**Missing the forest for the policy trees**

In addition to these concerns about the application of the DSGE model on this one particular reform, the wording of paragraph 26 of the guidance opens the door to examining the differential gendered impacts of any conventional IMF policy advice, raising the question, why was this particular tax wedge reform chosen, while other IMF policies in the same Article IV report were not?

On policies relating to labour, the IMF advised that Argentina addresses its “many shortcomings” in its particularly rigid labour market, including (i) streamlining dismissal procedures; (ii) lowering the level of required severance payments; (iii) simplifying collective dismissal procedures; (iv) facilitating the use of temporary contracts (including apprenticeships) and part-time work arrangements; (v) limiting the extension of coverage of collective bargaining agreements beyond the direct signatories; and (vi) offer a wider use of optout clauses from collective bargaining. While the IMF argued that less ‘red tape’ in the Argentinian labour market would make it easier for employers to hire women, feminist literature has repeatedly pointed out that these regulations more often actually form the crucial protections for women in wage labour, who are vertically and horizontally segregated in the most precarious and vulnerable positions, and that collective bargaining has widely been found to reduce the gender wage gap in particular.

Following the new guidance, not only should the IMF be aware of and address adverse gendered impacts stemming from these labour market reforms on their own merit, but also because they might undermine the positive impacts the Fund predicts on the gender wage gap specifically stemming from the proposed tax wedge reform.

The same argument may be made for the IMF’s general recommendations to Argentina to lower government spending, “notably in wages, pensions and social transfers”, including by “reducing public employment by about half”, and by “phasing out family allowances more rapidly”, all of which can carry severe and clear adverse gendered impacts, including reducing female labour force participation, thereby again potentially directly undermining the expected gains made by the proposed tax wedge reform. The IMF already acknowledged this general effect in its guidance, as paragraph 26 specifically outlines that measures such as “budget cuts on subsidies and social programs, [and] cuts in the public-sector wage bill” are examples of policies that could exacerbate gender inequality, yet, it did not apply its DSGE model to these measures, and instead chose to apply it to a tax wedge reform.

While the policy examples included in paragraph 26 have indeed been shown to disproportionately impact women and exacerbate gender inequality, feminist literature suggests almost every macroeconomic policy the IMF regularly prescribes carries harmful gendered impacts, including labour flexibilisation, privatisation, regressive taxation, trade liberalisation and targeting social protection and pensions, while the gendered impacts of monetary policy are just beginning to be understood. These myriad impacts also do not function in isolation, but rather interact and compound one another, meaning understanding the cumulative gendered impacts of an entire reform programme is really required to inform policy.

While the model applied to Argentina did examine the impact of a ‘conventional’ proposed tax reform, its 2019 application in Iran analysed impacts of reducing the gender wage gap, lowering costs for women to participate in the labour market and subsidising childcare costs, i.e. not conventional macroeconomic policy advice of the IMF. The model’s application to Iran is hence not useful in exploring its function in relation to paragraph 26 of the guidance.

Understanding that Argentina was just the first time the IMF applied its new DSGE model and that such work takes considerable resources and expertise, the question that is raised is therefore not why the IMF has not immediately applied this model to all its policy advice in Argentina, but by which standard will staff decide to which policies it will apply a DSGE model to analyse gendered impacts, or consider gendered impacts more broadly?

**Practical Constraints**

Finally, in implementing the DSGE model as the way in which the IMF intends to measure adverse gendered impacts of its own policy prescriptions, a number of practical issues should also be considered.

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33 For a cumulative gender impact assessment of macroeconomic reforms, see for example, Women’s Budget Group, A cumulative gender impact assessment of ten years of austerity policies, 2016.
The programme by the UK Department for International Development, under and implementation processes, has been bilaterally funded research on gender and inequality, including modelling work in terms of financial resources, a majority of the recent IMF backdrop of urgent financial crises. be even more limited, given they often take place against the bandwidth for new analysis and policy discussions tends to private and financial sector. In lending programmes, the meet with representatives of the government, and the meet with relevant civil society groups, in addition to regular or extremely limited, in particular in low-income countries. In the same time span country teams are also encouraged to meet with relevant civil society groups, in addition to regular meetings with representatives of the government, and the private and financial sector. In lending programmes, the bandwidth for new analysis and policy discussions tends to be even more limited, given they often take place against the backdrop of urgent financial crises.

In terms of financial resources, a majority of the recent IMF research on gender and inequality, including modelling work and implementation processes, has been bilaterally funded by the UK Department for International Development, under the programme Macro Research for Development, initiated in 2012. It is therefore not largely included in the IMF’s regular core operational budget. The programme is currently set to run until March 2020 and includes work on “how governments can use evidence from existing data to ensure that gender equality considerations are taken into account in fiscal adjustment”. While this temporary bilateral funding has enabled the IMF to work on gender so far, the reluctance of some of its major shareholders to increase its operational budget may undermine the sustainability of this work over the longer term.

This context raises a number of concerns relating to how the use of DSGE models can be rolled-out and scaled-up in practice in a sustained way, raising the question, how exactly does the IMF foresee its staff working with DSGE models to assess gender impacts in practice, at scale, and fully resourced over the long term?

3.2.2 Alternative Policy Mix

The second area for which paragraph 26 of the guidance perhaps raises more questions than it provides answers is what the IMF describes as considering an ‘alternative policy mix’, the preferred proposed option when differential gendered impacts are determined, ahead of the secondary option of implementing ‘mitigating measures’.

Worse or worst alternatives

While the guidance does not specifically lay out what this alternative policy mix may look like, the IMF’s approach to this may be surmised from a Selected Issues Paper that supported the 2018 Nigerian Article IV review. In that paper, a gender perspective was included in a distributional impact analysis of proposed VAT reforms. While the gender analysis was extremely limited in this component and not included in the official Article IV review, the paper analysed six different VAT reform scenarios, combining increases in VAT and compliance rates, comparing each on revenue and distributional impacts. Specifically, the paper contrasted 1) doubling the existing VAT rate to 10 per cent; 2) increasing VAT compliance to 70 per cent; 3) lifting the current VAT exemption on basic food stuffs; and 4) increasing compliance and doubling the VAT rate; while the last two scenarios analysed possible mitigating distributional impacts of lump-sum payments to households below either 5) the extreme poverty line; or 6) the poverty line. For scenario 4, the results were broken down by rural versus urban households, and a gender component was included by contrasting impacts on male- versus female-headed households. Yet its results were directly qualified by noting, “the relatively larger average household income for female-headed households in the sample”. The analysis found that scenario 2 would be the least regressive and that scenario 3 would have “a substantial impact” on vulnerable households due to the relatively larger shares of income spent on food in low-income households. The subsequent policy recommendation by IMF staff in the related Article IV review was that a comprehensive VAT reform was needed that includes increasing the VAT rate and compliance, as well as removing and rationalising exemptions, essentially applying a combination of scenarios 3 and 4. This work likely exemplifies the type of approach the IMF aims to develop as the way in which a specific policy mix was recommended after a range of them were considered taking equity concerns and mitigating measures into account.

34 See for instance, ILO, Gender dimensions of national labour policies, 2013. p. 121.
36 Bloomberg, Trump snubs global order again as U.S. rejects IMF funding boost, 12 December, 2018.
Yet, the majority of feminist literature that has examined the gendered impacts of tax policies in particular has clearly focused on the broader concern that generally regressive taxes, like VAT, which can also disproportionately impact women, are structurally overemphasised in IMF policy advice while generally more progressive taxes like corporate, wealth and property taxes are underemphasised, in particular in advice to developing countries. Policy recommendations resulting from these works and those of the broader tax justice community, overwhelmingly advocate for a broad shift away from indirect taxes like VAT towards raising more progressive taxes.

In that light, contrasting equity impacts of four differently designed VAT schemes, rather than comparing equity impacts between, for instance, an increase in VAT rates versus an increase in property tax rates, or generally between a pro-cyclical versus countercyclical fiscal policy, is illustrative of an extremely narrow approach that only considers a variety of generally the most regressive types of taxes from the onset. While the 2018 Article IV review of El Salvador provides hope this type of broader analysis may be forthcoming at the IMF by explicitly recommending a property tax as “a key progressive taxation measure”, while warning for the regressive effects of a VAT, the quality of the IMF’s distributional analysis in current policy advice is still clearly severely lacking. Without broadening its equity analysis, including of gendered impacts, to a much wider set of policy alternatives, IMF staff will continue to limit the parameters between which governments are given the policy space to manoeuvre and undermine their capacity to take equity considerations fully into account. These considerations raise the questions, what exactly constitutes the alternative policy mix described in paragraph 26 and how are IMF staff to determine in practice which policy alternatives are to be considered when equity concerns are raised?

**Proposed mitigation not an option**

Finally, paragraph 26 prescribes that in the case that the application of an alternative policy mix is not feasible, ‘mitigating measures’ may be suggested. Once again, the guidance does not provide further explanation as to what may constitute these mitigating measures, although the Fund’s VAT analysis for Nigeria described above may again offer some indications, as well as other IMF guidance. Specifically, the Nigerian analysis described that “social safety transfers can help compensate for the adverse impact from the [scenario 4] VAT increase on the poor”, using ‘proxy means testing’ to identify targeted households eligible for such a cash transfer. Looking at a range of variables “that may be easily verifiable in practice”, such as “ownership of refrigerator or a car”, the analysis in the Selected Issues paper concluded it would require scaling up social transfers by some 400 billion Naira to keep the poverty gap constant and by 1,100 billion Naira, about half the revenue generated by the reform measure, to keep the poverty rate constant, “implying significant revenue gains even after ensuring that poverty rates do not rise”. This approach on mitigation was reinforced in a June IMF Guidance Note on social safeguards, published almost simultaneously with the guidance on gender, in which IMF staff prescribed more broadly that programs should seek to mitigate the adverse effects of program measures on the poor and vulnerable, especially by strengthening social safety nets (e.g., increase social transfers). The gender guidance leaves unanswered whether social protection and spending schemes are the only types of mitigating measures staff are to consider in addressing the harmful gendered impacts of its own policy advice, or whether other types of policies should also be considered. Given the wide range of policy areas in which harmful gendered impacts can be manifested, such as labour flexibilisation policies, it is still unclear what measures the IMF envisions would mitigate each of these impacts. In the actual Nigerian Article IV review, this analysis translated into mentioning only it would take 400 billion Naira to keep the poverty gap unchanged, but noting that, “as social safety nets are likely not fully scalable in the short term, complementary measures (lifeline tariff; increase in health and education spending) will be needed as part of the reform package.”

At the onset therefore, the Fund’s impact analysis in the Selected Issues paper was premised on mitigating measures through a social transfer scheme it knew could not be realistically implemented. It also contained no analysis as to how lifeline tariffs, lower rates typically charged by utility companies for poor and marginalised groups, or health and education spending may impact the poverty gap or rate to compensate for the VAT reform impacts. In fact, the IMF has

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38 See for instance, Tax Justice Network, It’s time to tax wealth properly, 12 October, 2018.
been presented with strong evidence that proxy means testing, the central pillar of its targeted social protection approach, is highly inaccurate, “commonly excluding over half of the intended beneficiaries, with many performing much worse”, and thus in reality not offering a robust safeguard to protect the poorest from specific adverse impacts of certain economic policies at all. More broadly, the IMF’s approach to targeted social protection has recently come under severe scrutiny by the IMF’s own Independent Evaluation Office, the UN Special Rapporteur on Extreme Poverty and Human Rights, prominent economists and many civil society organisations, as a result of which the IMF is conducting a review of its position towards social protection more broadly.

As a potential tool that the IMF foresees perhaps using to mitigate adverse gendered impacts of its own policy advice, there are specific gendered considerations to take into account. While paragraph 26 already signals that “policy design may need to consider potential trade-offs between government conditionality to improve targeting, such as means-testing, and their gender impact”, not much explanation or guidance is provided on what those impacts may be or how to consider those trade-offs. In fact, while studies on the gendered impacts of cash transfers are mixed, evidence suggests that, depending on their design, “conditional transfers could actually reinforce traditional gender roles and increase women’s work burden related to conditions”, leading feminist social protection experts to advocate specifically for gender-transformative designs of cash transfer schemes.

While these same experts, and indeed the wider critics of the Fund’s social protection work, as well as many IMF officials themselves, maintain the position that the specific design and implementation of social protection schemes lies outside the IMF’s mandate and squarely with the responsibility of governments, the IMF should equally not mandate policies that it knows exacerbates gender inequality while prescribing remedies it knows realistically will not be able to mitigate the harm caused. Instead, in the absence of truly robust evidence that proposed mitigating measures will actually reduce harm, the IMF should openly and honestly recognise this reality and default to an alternative policy mix that promotes rather than undermines gender equality and women’s rights in the first place.

45 Sepúlveda Carmona, Busting the myth that conditional cash transfers are gender-sensitive, Development Pathways, 2017.
4. Conclusion

Drawing on previous analyses on the role of the IMF vis-à-vis gender, the emphasis of the IMF’s gender work should squarely lay with addressing the potential harms of its own policies, rather than pro-actively pursue new policy areas. In that respect, the development of the guidance note, in particular paragraph 26, is a welcome development in the Fund’s evolving understanding of the relationship between gender equality and macroeconomic policy.

It should be recognised that, since its inception in 2013, this work has developed relatively quickly within the Fund from research to operationalisation, and has expanded in scope beyond just female labour force participation issues, demonstrating genuine commitment by the IMF to go beyond rhetoric and put action into words.

Yet, the new guidance and latest IMF gender work do leave many questions unanswered and raise some new concerns:

Macro-criticality for gender and economic inequalities remains an unclear standard, leaving the Fund’s approach ad-hoc and unsystematic.

The DSGE model as applied to Argentina offered only a very narrow glimpse of the incredibly complex question on measuring adverse gendered impacts of macroeconomic policies. It remains unclear as to which components of the economy it should analyse, which policies it should be applied to and raises myriad concerns about its scaled-up, sustained application in practice.

It remains unclear as to what types of alternative policies IMF staff should consider to avoid exacerbating gender inequality, while early indications point to a very constrained menu of options. Further guidance on what may constitute mitigating measures also remains lacking, although standard policy prescriptions further targeting social protection schemes are clearly inadequate.

The bigger picture: Beware of co-option

More broadly, the IMF’s latest gender work has begun to more clearly reveal an inherent risk embedded within the international finance institution taking on the issue of gender inequality. Provided the long-standing feminist critique that the bulk of the IMF’s policy advice, indeed its entire mode of economic thinking, fundamentally has and continues to undermine gender equality and women’s rights, in particular in developing countries, there is only value in the IMF explicitly engaging with gender issues if it leads to substantial and meaningful change of the bulk of its policy advice.

Paragraph 26 could potentially offer a way in which IMF staff could start making that meaningful shift away from the most harmful policies, towards those that actually promote gender equality and women’s rights – depending on how it is implemented.

While the DSGE model has now been applied only once to the Fund’s conventional macroeconomic policy advice, and this work may further develop to build a much more robust analysis, in its application to Argentina, the IMF essentially found a way in which to use its gender analysis to further reinforce a commonly-proposed tax cut among a multitude of others, rather than have it serve as the basis on which it challenges its same old policy prescriptions and shifts away from them.

Thus, if determining harm is not done in a comprehensive way, and alternatives are defined in only the very narrowest sense, the IMF risks its gender work being perceived as merely an exercise in ‘co-option’, whereby the language of women’s economic empowerment is deployed as just another branding strategy to disguise regressive policies as progressive ones.

In that instance, amidst IEO evaluations finding that IMF economists are not so much concerned with “making a real difference on the ground”, the initial apprehensions of the

46 IEO, The IMF and Fragile States, 2018, p. 35.
feminist community about the IMF wading into gender equality issues in the first place would perhaps not seem so misplaced. While the IMF may have been allowed an initial five-year ‘grace period’ to find its footing and catch-up on what it termed, ‘emerging issues’, the guidance’s recognition that the Fund’s own policies can indeed exacerbate gender and economic inequality, both of which it concedes can be critical to the fulfilment of the Fund’s mandate, marks a point of no return and must be the start of a significant and meaningful policy shift.

To demonstrate its commitment to gender equality, next steps the IMF should take include:

- Moving towards systematising gender and inequality impact assessments throughout all IMF policy advice.
- Committing to further developing its impact modelling work to include all dimensions of gender equality, including unpaid care work, with the aim of producing a more comprehensive and accurate portrayal of these complex realities that can be applied in a practical manner by staff.
  - This includes working with feminist macroeconomists with expertise on impact modelling on an ongoing basis,
  - And endorsing and engaging with the UN Guiding Principles on Human Rights Impact Assessments of Macroeconomic Reform Programmes.
- Further formalising its approach and methodology on gender equality, including:
  - Developing its framework on the macro-criticality of gender issues,
  - Creating a framework on how its gender work should relate to that of other institutions, such as CEDAW Committee recommendations,
  - Incorporation of gender issues in ongoing reviews, such as the Comprehensive Surveillance Review,
  - And to ultimately develop a formal, board-level IMF institutional view on gender equality.