

A Proposed Framework for IMF Engagement in Country-level Surveillance on Macrostructural Issues; Inequality, Gender and Climate Change

A civil society submission to the 2019-2021 IMF Comprehensive Surveillance Review

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INTRODUCTION: WHY THIS SUBMISSION AND KEY RECOMMENDATIONS

1. This proposed framework outlines a more effective, streamlined, and integrated IMF engagement on macrostructural issues. The Fund's engagement on what it has called 'macrostructural issues', in particular inequality, gender and climate, has increased since 2013. Yet, in the context of an ever-more urgent global climate crisis and a range of increasing structural inequalities, exacerbated by the outbreak of a devastating global pandemic, the 2019-2021 IMF comprehensive surveillance review is a critical opportunity to ask how the IMF can better respond to these existential challenges of our time. This proposal has therefore been developed by civil society organisations that have been closely engaged in the IMF's surveillance work on macrostructural issues and is informed by additional civil society background analyses, consultations, and the preliminary civil society guidance issued on the occasion of the 2017 IMF Interim Surveillance Review.

2. Similar to the Strategy for IMF Engagement on Social Spending, this framework firstly considers when the IMF should engage in these macrostructural issues and when not to. While the IMF recognising the relevance of inequality, gender and climate to its macroeconomic mandate has generally been welcomed, this does not mean that the IMF has carte blanche to engage on these issues. To ensure consistency with its mandate and international frameworks, this proposal sets out three key considerations the IMF must make before engaging:

- **The IMF should firstly move from the 'macro-critical' to the more sophisticated 'macro-relevance' standard and develop a 'dashboard of indicators' for macrostructural issues to guide its staff on when to engage and when not to in a more systematic way.** The dashboard of indicators should be made up of a number of broad international indicators to develop consistent top-line country profiles in relation to macrostructural issues, as well as indicators that reflect more in-depth analysis on the key macroeconomic drivers of economic inequality, gender inequality and climate change and their appropriate macro-policy responses – particularly indicators for SDGs 5, 8 and 10. The function of such a dashboard of indicators should be limited and its results should not be considered an automatic green light to provide new in-depth policy advice on issues that may lay outside IMF staff's expertise and within the mandate of other multilateral organisations.
- **Second, the IMF must consider whether its own policy advice is doing harm in relation to macrostructural issues as a 'channel' of macro-relevance and affirm its commitment to 'do no harm' in this context.** The IMF must develop systematic and robust impact assessments that measure how its conventional macroeconomic policy advice in surveillance impacts economic and gender inequality, as well as the environment and climate change. The results of these assessments must then be given the weight to reliably inform and adjust conventional IMF policy advice. This approach of analysing negative impacts and crafting alternative policy packages in response should be made into standard operating procedure for country teams. Given the urgency of the global climate crisis and increasing inequalities and the Fund's limited capacities to develop those analytical tools, the IMF must be more efficient in this regard and embrace the already vast amount of research and evidence available in determining the harmful impacts of IMF policy advice. At an absolute minimum, the IMF must ensure its staff **always** consider the minimum criteria outlined in paragraph 29 of this framework in bilateral surveillance work to avoid the worst harms and inadequate mitigation strategies that preserve harmful policies.

- **Third, the IMF should consider the role and mandate of other international organisations in relation to macrostructural issues and where relevant policy instruments fall outside the macroeconomic policy toolkit and within the mandate of another organisation, IMF staff should refrain from providing policy advice altogether and rather refer the authorities to that organisation’s policy recommendations.** In cases where the IMF has identified an issue as macro-relevant but its policy levers are not part of the macroeconomic toolkit and the issue lays squarely within the mandate of other international organisations, the Fund can play an important signalling function by flagging the relevance of these issues and directing authorities to the appropriate expert bodies and stakeholders for policy advice. This ensures the IMF stays within its mandate and that IMF resources are spent where they have additional value. It also limits the in-house expertise required by the IMF for tackling macrostructural issues.

3. Once these considerations have been made on *when to engage*, this framework identifies four principles of IMF engagement on macrostructural issues that should guide *how* the Fund should engage on these issues:

- **First, the IMF should consider supporting member states in developing *an enabling macroeconomic environment to meet its international commitments and obligations in these areas as part of its objectives.*** A primary role of IMF policy advice in country-level surveillance should be to support the removal of structural macroeconomic barriers to progress on economic equality, gender equality and climate action.
- **Second, the interlinkages between economic inequality, gender inequality, and climate change should be carefully considered.** The IMF can play a unique role in identifying and exposing trade-offs in macroeconomic policymaking in this regard, but this would only be possible through developing a more nuanced understanding of the inter-relationship between these different areas.
- **Third, in instances where the IMF considers its policy advice on macrostructural issues in surveillance can have additionality in relation to the work of other international organisations, IMF staff should enhance its engagement and cooperation with them.** Consistent with recommendations of the IMF’s Independent Evaluation Office (IEO), in areas where there is overlap between the mandates of other international organisations and the macroeconomic advisory role of the IMF in surveillance, IMF staff should seek to strengthen engagement and develop and agree on concrete collaboration frameworks.¹
- **Finally, strong civil society engagement with IMF staff at country-level is particularly critical for addressing macrostructural issues and should be enhanced.** In addition to CSO experience and expertise complementing gaps in IMF capacity to address macrostructural issues, participation and representation of marginalised groups that are directly impacted by policy advice issued in IMF surveillance are crucial components of fair and informed decision-making and is particularly critical for macrostructural issues that are in large part about dismantling structural inequalities in favour of those that have been systematically marginalised.

4. This proposal ends on two issues in focus to demonstrate how to apply this framework and the principles of engagement outlined in the areas of fuel and energy subsidy reform and domestic resource mobilisation, pointing to a number of areas of improvement this framework helps to reveal.

¹ Independent Evaluation Office, *IMF Collaboration with the World Bank on Macro-Structural Issues*, 2020.

THE IMF'S APPROACH SO FAR: PRIMARY CONCERNS

5. **Since 2013, the IMF has increased its engagement with so-called 'macrostructural issues', in particular inequality, gender and climate.** Building on various research papers, the IMF operationalised its research on these issues through a number of pilots in its country-level surveillance work starting from 2015, resulting in them being taken up in various Article IV consultations. Reflecting on lessons learned in the pilots, staff guidance notes were developed in 2018 on operationalising gender and inequality issues at country level, in particular in surveillance.² A third note on operationalising climate issues at country level is also in development. The IMF recognising the relevance of inequality, gender and climate to its macroeconomic mandate and its willingness to operationalise some of this work, despite formidable capacity constraints, has generally been welcomed. Nevertheless, civil society groups have also consistently raised the following concerns:

6. **The IMF's rationale for engagement on macrostructural issues, in particular its 'macro-criticality standard', has been unevenly applied and continues to be inconsistent.** Both staff guidance notes on gender and inequality cite the 2015 definition that "an issue is macro-critical if it affects, or has the potential to affect, domestic or external stability." Recognising that gender and inequality are complex, multifaceted concepts, both notes seem to imply that gender and inequality are (potentially) macro-critical in every country yet can still be considered not macro-critical by staff in some countries. While the IMF has yet to produce staff guidance on operationalising climate change issues at country level, Staff Discussion Notes and policy papers establish that "climate change is potentially macro-critical," but that staff may also still consider climate change to not be macro-critical in some countries. While the Fund's rationale for engagement does go beyond macro-criticality and considers other factors, like authorities' interests, these standards are insufficient and are not precisely defined, resulting in uneven and discretionary application. The macro-criticality standard, as applied to macrostructural issues, therefore remains inadequate, inconsistent, and difficult to apply by staff in practice. Extreme inequalities, climate change and the Covid-19 pandemic are all examples of how humanity is increasingly facing global challenges that impinge on macroeconomies and require a multidisciplinary approach across multilateral institutions. This is why clarity of the concept of macro-criticality is so important and why the IMF must better understand and define how macroeconomic policies and these challenges influence each other, including as part of its 2019-2021 Comprehensive Surveillance Review.

7. **When the IMF decides to engage in macrostructural issues, the analysis has generally lacked coherence and remains inadequate overall.** Critiques have pointed out that the IMF still lacks a clear framework of surveillance mechanisms that considers the key drivers of the relationships between macrostructural issues and macroeconomic policies, as well as a clear monitoring framework that sets out key macrostructural indicators to include in surveillance work.³ The IMF also still lacks specific working definitions relating to macrostructural issues, with IMF outputs invariably using key terms interchangeably, such as gender equality and female labour force participation. The staff note on 'inequality issues' equally starts by providing a broad definition of 'financial inclusion' and includes a discussion of 'economic inequality' indicators but falls short of providing clear guidance to staff on which dimensions of inequality are most macro-relevant and how they relate to different policy areas. The Fund's climate work has focused primarily on physical risks posed by the increasing severity of climate impacts, and it has been limited to a number of countries. As such, it lacks a more comprehensive consideration of the core drivers between climate change and macroeconomic

² IMF, *How to Operationalize Inequality Issues in Country Work, How to Operationalize Gender issues in Country Work*, 13 June 2018.

³ Oxfam, *Great Expectations: is the IMF turning words into action on inequality?*, 10 October 2017.

policy. As a result, country-level analysis of macrostructural issues remains *ad hoc*, mostly superficial, and without follow-up year after year. Other critiques have pointed out that IMF macrostructural analysis largely fails to take political economy and power-dynamic considerations into account.⁴ There are legitimate concerns that these shortcomings mean that IMF surveillance is falling short of fulfilling the Fund's core mandate to effectively diagnose country-level threats to macroeconomic stability.

8. The IMF has mostly approached inequality, gender, and climate as siloed, parallel workstreams that are not interconnected. With the exception of a few early discussion notes,⁵ the IMF's approach to these topics has largely lacked analysis of how these issues interact with one another and be considered in an integrated way. This is particularly evident in the separated surveillance pilots for policy advice on gender, inequality and climate and the separate staff notes on gender and inequality that lacked analysis on the intersection between economic and gender inequality. Thus, IMF policy advice on macrostructural issues remains siloed and has, at times, become conflicting, such as policy advice on the removal of consumer fuel subsidies that has exacerbated inequalities and social unrest, as it did in Egypt in 2019 for instance.⁶ In fact, the IMF's contribution to issues that it recognises as 'macrostructural' should be exactly that of exposing the trade-offs in dealing with these issues that come with economic policymaking and discussion on how to achieve climate just policies, for example, without increasing inequality.

9. The IMF continues to largely fail to recognise and address the ways in which its own conventional policy advice can exacerbate gender and economic inequalities, as well as further aggravate the climate crisis and build future climate risks into economies – i.e. how it does harm. While various staff notes and policy papers have acknowledged that certain IMF policy advice, such as wage bill restrictions, regressive tax measures, and subsidy and social sector cuts can increase inequalities,⁷ this has not sufficiently translated into policy advice in surveillance. In general, public acknowledgment of the IMF's own historic and ongoing role in exacerbating inequalities, in particular through overly restrictive fiscal consolidation prescriptions, which the IMF inexplicably continues to adhere to even during the Covid-19 crisis, remains lacking and not clearly understood among IMF staff.⁸ This acknowledgement has been cited by women's rights organisations as being "absolutely crucial" and needing to be central to the Fund's approach to gender issues in particular.⁹ In relation to climate change, the IMF has seemingly not engaged at all with the role its own growth-based policy prescriptions – in particular via recommendations in support of carbon-intensive or extractive-based export revenue – have had on exacerbating the current climate crisis, or considered the ways in which its fiscal consolidation prescriptions may be directly at odds with countries' Nationally Determined Contributions to the Paris Climate Agreement. The Recommended Reading section included at the end of this framework includes various briefings and in-depth research into the harmful impacts of IMF policy advice.

10. The IMF's role with regard to macrostructural issues in relation to other multilateral organisations remains ambiguous and at times problematic. As the IMF has determined new policy areas are relevant to the fulfilment of its mandate, it has not sufficiently recognised or contended with the fact that these same policy areas at times fall squarely within

⁴ D. Lombardi, N. Woods, *The Politics of Influence: An analysis of IMF Surveillance*, Review of International Political Economy, vol. 15, no. 5, 2008, pp. 711–739.

⁵ Most notably including IMF, *Catalyst for Change: Empowering Women and Tackling Income Inequality*, Staff Discussion Note, 2015.

⁶ Bretton Woods Project, *Uprising and discontent: Global protests erupt against IMF-backed policies*, Bretton Woods Observer, Winter 2019, 12 December 2019.

⁷ IMF, *How to Operationalize Gender issues in Country Work*, para. 26.

⁸ See for instance, *The IMF and World Bank-led Covid-19 recovery: 'Building back better' or locking in broken policies?* Bretton Woods Project, Bretton Woods Observer, Summer 2020, 16 July 2020.

⁹ *Letter to IMF Managing Director Kristalina Georgieva on women's rights and gender equality*, 18 February 2020.

the mandates of other international institutions. As a result, non-alignment on fundamental policy positions between UN organisations and specialised agencies have been accentuated and the exact role of the IMF toward macrostructural issues has sometimes been unclear. In certain cases, the IMF has been out of step with international standards, such as the lack of alignment between the IMF's work on social protection and the standards of the ILO,¹⁰ while in others, the Fund has clearly overstepped its mandate, such as its policy advice in surveillance relating directly to access to contraception that squarely lies within the sphere of organisations mandated to work on women's sexual and reproductive health rights.¹¹ The IMF has not yet publicly addressed its specific relation to the commitments made under the Paris Climate Agreement and will need to anticipate commitments made by member countries at future UNFCCC COPs.

11. Meaningful CSO engagement in surveillance work remains limited and opaque.

While the IMF CSO team has made some efforts to engage with civil society groups in relation to macrostructural issues at the international level, in-country CSO engagement during surveillance missions in particular continues to be unsystematic, with no centralised hub with country visit dates or mission chief contact-details being available to CSOs prior to the consultation. A more predictable process would also allow for CSOs to plan and prepare better to engage meaningfully. Engagement with climate and women's groups in particular at country-level on surveillance remains limited to non-existent, and CSO engagement in general remains heavily reliant on the personal openness and willingness of individual mission chiefs and authorities. Beyond the country-specific level, the lack of transparency towards and consultation with CSOs during the 2017 interim surveillance review and the 2019-2021 comprehensive surveillance review, the external advisory group of which did not include a single civil society representative, is not consistent with the 2015 IMF Guidelines on IMF staff engagement with CSOs and has been highly concerning.

12. In light of these concerns and shortcomings, this proposed framework has been developed for approaching macrostructural issues in surveillance in a more effective, streamlined, and integrated way. This guidance aims to keep practical and resource constraints into account in offering a realistic approach for IMF staff to improve the way macrostructural issues are considered in surveillance.

¹⁰ See for example, *The IMF's new policy framework on social protection*, Global Coalition for Social Protection Floors, January 2019.

¹¹ See for instance, IMF, *Nigeria Selected Issues*, IMF Country Report No. 18/64, March 2018.

A PROPOSED FRAMEWORK FOR ENGAGEMENT IN COUNTRY-LEVEL SURVEILLANCE ON MACROSTRUCTURAL ISSUES

A. *When to engage and when not to*

13. To determine whether IMF staff should engage with macrostructural issues in surveillance, the IMF has developed the standard of ‘macro-criticality’, defined as an issue affecting, or having the potential to affect, domestic or external stability. Secondly, if an issue has been found to be macro-critical, staff have been advised to use a variety of additional factors to determine whether to engage, including interest by the country in question, having in-house expertise and avoiding duplication with other international development institutions. In relation to social spending, the IMF further developed three ‘channels’ of macro-criticality: 1) Is social spending sustainably financed? 2) Is it adequate? 3) Is it efficient? This framework proposes using a more sophisticated ‘macro-relevance’ standard.

I. *Macro-relevance*

14. The IMF’s own research provides robust evidence that the broad concepts of ‘inequality’, ‘gender’¹² and ‘climate’ are always macro-critical because they always have a bearing on the working of the economy and are relevant for the outcomes of macroeconomic policymaking, thereby foregoing its utility as indicator for engagement for these macrostructural issues. Without more clearly defining these broad concepts and more precisely differentiating between the various components that make them up, the decision of staff to engage with these issues in surveillance is, in practice, already based on various other factors that are applied unevenly and generally in an *ad hoc* manner. It also remains unclear how staff are supposed to measure or compare macro-criticality for different macrostructural issues with one another, thereby leaving staff without the tools to prioritise between a now wide range of different macrostructural issues in an Article IV consultation with limited time and space.

15. On the occasion of its comprehensive surveillance review, the IMF should develop a ‘dashboard of indicators’ for macrostructural issues as a tool to help flag levels of ‘macro-relevance’ in surveillance in a more systematic way that better reflects the various components and ‘channels of macro-criticality’ of inequality, gender and climate issues. Such a dashboard can be used to identify risks about the macroeconomic significance of inequality, gender and climate issues, linked to clear criteria and an ongoing alert process that systematises the Fund’s approach to these macrostructural issues, rather than rely solely on the subjective judgement, expertise and interests of country staff or governments in individual Article IVs. Rather than identifying exact thresholds for specific variables and indicators, such a dashboard should enable the IMF to identify ranges of relevant values and offers a way of systematically monitoring macrostructural issues as they relate to the macroeconomy. The IMF should use this opportunity to incorporate some of the SDG targets and indicators in its surveillance work, as a step towards making its economic policy prescriptions more coherent and aligned with the achievement of the SDGs and the Paris Agreement.

16. In first instance, the dashboard should consist of a number of broad international indicators to develop a consistent top-line country profile in relation to macrostructural issues, such as the SDG indicator data including 10.1, the Gini Index, the Palma Index, the wealth concentration index when it becomes available, the Gender Inequality Index (GII), the Global Climate Risk Index, the Climate Change Vulnerability Index and the Notre Dame

¹² Bretton Woods Project, *The IMF and Gender Equality: Operationalising Change*, 2019, p. 5.

Global Adaptation Initiative Country Index, as starting points.¹³ While some of these indicators have been used by IMF staff in surveillance, this has been very sporadic, with the Gini Index only appearing in 13 Article IV reports in 2019 and the GII not appearing in any 2019 Article IV reports, while appearing in four in 2018.¹⁴ These internationally recognised indices and frameworks are made up of a variety of individual indicators about the risks and challenges countries are facing and can help inform prioritisation of macrostructural issues in every country-level surveillance review in a straightforward, low-resource intense way in first instance.

17. Secondly, the IMF must further develop its analysis on the key macroeconomic drivers of economic inequality, gender inequality and climate change and their appropriate macro-policy responses, as well as on how existing inequalities and climate change shape macroeconomic variables, in order to develop a dashboard that can facilitate targeted and consistent engagement. To go beyond a set of ‘social indicators’ as previous IMF surveillance frameworks have done, the key to a more sophisticated macrostructural dashboard is analysis that more fully understands the complex connections between these macrostructural issues and macroeconomic policy decisions. To do this, systematic monitoring of policy impact is critical, and so is learning from failures and past mistakes.

18. Rather than reinvent the wheel on developing this analysis, the IMF should investigate and adopt or adapt existing work in this field. There is a wide range of indicators that could be systematically monitored to gain insights on the impact of macroeconomic policies on inequality (as well as gender and climate). For example, the new SDG indicator 10.4.2 measures the redistributive impact of fiscal policies.¹⁵ The indicator builds on long-standing research and analysis on the impacts of spending, tax and labour market policies on economic inequality, is based on a methodology developed by the Commitment to Equity Institute (CEQ) and allows microsimulations to assess distributional impact of different policy measures. The indicator is being tracked by the World Bank, and CEQ's data is also an input to Oxfam and Development Finance International's Commitment to Reducing Inequality (CRI) Index which assesses the extent to which governments are adopting economic policies that tackle inequality. SDG 10.4.2 and the CRI Index represent examples of indicators that the IMF could easily adopt in its routine country surveillance to inform the macro-criticality of economic inequality for all countries in relation to specific policy areas, without dedicating major additional resources.

19. Other indicators designed to track progress on the Sustainable Development Goals have also already benefitted from in-depth analysis on the specific macroeconomic policy levers most relevant to achieving them – and should be included in the IMF's surveillance. Examples include “the proportion of countries with systems to track and make public allocations for gender equality and women’s empowerment” (SDG 5.c.1), “labour share of GDP” (SDG 10.4.1), “unemployment rate, by sex, age and persons with disabilities” (SDG 8.5.2), and country reporting on Nationally Determined Contributions (NDCs) under the Enhanced Transparency Framework of the Paris Climate Agreement. In recognition of macroeconomic policies being able to reduce or increase women’s unpaid domestic and care work, a key driver of gender *and* economic inequality, the dashboard could also include “the proportion of time spent on unpaid domestic and care work, by sex, age and location” (SDG 5.4.1) for instance.

20. Finally, new indicators could also be developed that specifically target this intersection of macrostructural issues and macroeconomic policies. While, in general, the IMF should take a cautious approach before considering developing new indicators, examples of

¹³ See also the channels of sovereign risk identified in U. Volz et al., *Climate Change and Sovereign Risk*, SOAS Centre for Sustainable Finance at SOAS University of London, October 2020.

¹⁴ Figures are approximate, as demonstrated by the *Article IV Scanner* of IMFMonitor.org.

¹⁵ N. Lustig, C. Mariotti, C. Sánchez-Páramo, *The redistributive impact of fiscal policy indicator: A new global standard for assessing government effectiveness in tackling inequality within the SDG framework*, World Bank, 11 June 2020.

important indicators in development include joint work with the WHO and ILO on an indicator of financing gaps, including overall spending and wage levels needed to stem brain-drain and migration, to reach the 4.45 doctors, nurses and midwives per 1000 population that is needed to achieve the SDGs.¹⁶ In relation to climate change, transition risks are a particular area where the IMF's approach remains in its infancy and where its members would benefit from the development of more robust analysis by the IMF. Whether diagnosed or not, these risks present a macrostructural risk to many IMF member countries – i.e. due to loss of revenues. 'Climate stress tests' should be developed and conducted annually for all member states to assess baseline physical and transition risks. To do so, the IMF will need to encourage disclosure of climate-related financial risks, including as part of its FSAPs. Debt Sustainability Analyses must better incorporate transition and physical climate risks in relation to sovereign debt levels, including how countries may be exposed to declining fossil fuel asset valuations, as well as how investment in resilience could avoid costs. The IMF must begin work immediately to incorporate this analysis into its surveillance, including as part of its 2019-2021 Comprehensive Surveillance Review and in the development of its 'how-to' note for staff on integrating climate change into surveillance. The development of this analysis and 'dashboard of indicators' across all macrostructural issues should be an ongoing process whereby cross-institutional dialogue and collaboration with other UN organisations and specialised agencies, as well as civil society, will be crucial (see paragraphs 30-35).

21. Once clear definitions and criteria are in place, all country staff should be able to complete the minimum requirements for such a dashboard of indicators at the start of every Article IV consultation on an ongoing basis, with the support of the authorities, other multilateral organisations and civil society organisations. The indicators should be developed in such a way that differentiates between data that is already readily available and data that the IMF might need to collect or develop itself.

22. Crucially, the function of such a dashboard of indicators should be limited. The results of the dashboard should be used to monitor the evolution of macro-critical issues at country level and help raise red flags well in time to IMF staff and the authorities, regardless of how much 'appetite' or subjective interest there may be in these particular issues, and to inform its conventional policy advice. **The results should not be considered an automatic green light to provide new in-depth policy advice on issues that lay outside IMF expertise and within the mandate of other multilateral organisations.** A key task of using the dashboard will be assessing progress over time, gaps, and steps backward that may be linked to IMF policy advice.

II. Do no harm

23. At an absolute minimum, the IMF has an obligation to 'do no harm' and take steps to avoid exacerbating inequalities and the climate crisis in its surveillance work. Whether IMF policy advice is doing harm in this context should be understood as a 'channel' of macro-relevance to IMF staff in this context. This includes IMF policy advice on monetary and fiscal targets, including fiscal space assessments, tax and subsidy policy design, labour market policies, social spending, public wage bills and minimum wage policies, energy sector policies, state-owned enterprises, pension policies and debt sustainability analysis.¹⁷ For example, decentralisation of collective bargaining and reducing the growth of the minimum wage have severe results for income inequality including the gender pay gap, while failing to deliver promised results in economic and employment growth. Nonetheless, this has continued to appear

¹⁶ WHO, *Health workforce requirements for universal health coverage and the Sustainable Development Goals*, Human Resources for Health Observer - Issue No. 17, October 2016.

¹⁷ See para. 9 and the 'Recommended Reading' section for analysis on harmful impacts of IMF policy advice in surveillance.

in IMF surveillance.¹⁸ Considering these harms has become even more critical in the Covid-19 context, as evidenced by IMF research demonstrating that the pandemic is significantly exacerbating inequalities and that the economic decisions taken in response to Covid-19 will impact the international community's ability to meet the SDGs and the aims set out in the Paris Climate Agreement.¹⁹

24. The IMF should therefore firstly affirm its commitment to 'do no harm' and commit to ensuring that IMF policy recommendations never actively exacerbate inequalities or undermine countries' ability to achieve the SDGs or Nationally Determined Contributions under the Paris Climate Agreement. Paragraph 26 of the IMF Note on operationalising gender issues at country level is the strongest example so far of the IMF acknowledging its own policies can exacerbate inequalities and needs to be implemented and developed further.²⁰ Accordingly, upon completion of the dashboard of indicators, the IMF should systematically evaluate and assess the impacts of its macroeconomic policy advice in surveillance.

25. This process should be conducted through systematic and robust *ex-ante* and *ex-post* impact assessments that measure how conventional IMF macroeconomic policy advice impacts economic and gender inequality, as well as the environment and climate change. Some of this work is already under development at the IMF through DSGE modelling work that measures distributional and certain gendered impacts of specific policy interventions, which has been applied in a small number of Article IV consultations. As this work is still fairly new, it is important that the IMF prioritises significantly scaling up this work and considers DSGE modelling, with its risk of embedding flawed assumptions and eliding dynamic factors, as limited and only one of many tools in this context.²¹

26. In addition to DSGE modelling, the IMF should consider other impact assessment methodologies and rely more on other organisations, developing partnerships with research institutions in particular. For instance, the IMF could strengthen its relationship with the World Bank and CEQ institute on the methodology of the SDG 10.4.2 indicator, to systematically apply it *ex-ante* to policy reforms it is proposing or supporting in surveillance. Similar initiatives could be taken for other types of analysis, e.g. with the UK Women's Budget Group on gender budgeting and impact assessments. In 2019, the UN Human Rights Council passed resolution A/HRC/40/L.13, which encouraged UN specialised agencies like the IMF to take the Guiding Principles on Human Rights Impact Assessments of Macroeconomic Reforms into the formulation and implementation of their economic reform policies and measures.

27. Crucially, this impact assessment work must then be monitored over time and must be given the weight to reliably inform and adjust conventional IMF policy advice. In the small number of cases where the IMF does conduct some type of incidence analysis, there is no evidence this work has adjusted conventional IMF policy advice and this analysis is almost never followed up on over time. While the responsibility for assessing and monitoring the impact of macroeconomic policies ultimately lies with governments, the IMF must ensure its own policy recommendations are informed by this analysis and it can play a role in supporting its members to set up analytical systems.

28. In recognition of the limited staff capacity to implement new analytical procedures during the Covid-19 crisis, as well as typical resource constraints involved in all Article IV

¹⁸ On collective bargaining, see: F. C. Ebert, *A Public Law Perspective on Labour Governance by International Financial Institutions: The Case of the IMF's Article IV Consultations*, *International Organizations Law Review* 17 (2020) 105-132, 2020.

¹⁹ D. Furceri, P. Loungani, J. D. Ostry, *How pandemics leave the poor even farther behind*, IMF, 11 May 2020.

²⁰ IMF, *How to Operationalize Gender issues in Country Work*, 13 June 2018, para. 26; For detailed guidance on unpacking a paragraph 26, see Bretton Woods Project, *The IMF and Gender Equality: Operationalising Change*, 2019.

²¹ Bretton Woods Project, *The IMF and Gender Equality: Operationalising Change*, 2019, p. 7-10.

missions, the IMF must also be more efficient in its approach to avoiding these harms. In the context of a recovery from an unprecedented global financial crisis triggered by the Covid-19 pandemic and ever-more urgent global inequality and climate crises, this means that the IMF cannot solely rely on the development of complex modelling and other research work to adjust its policies. As some staff have been doing on an *ad hoc* basis, the IMF *must* embrace the already vast amount of research and evidence available in determining the harmful impacts of IMF policy advice, and, at a minimum, ensure IMF staff explicitly consider gender, climate and inequality impacts for those macroeconomic policy areas that carry the greatest risks and markedly shift away from its most harmful policy advice **today**.

29. This includes, at a minimum, that the 2019-2021 IMF Comprehensive Surveillance Review must commit IMF staff in bilateral surveillance to *always*:

- Consider enhancing **tax progressivity**, including consistently pushing for greater taxation of wealth and incomes of the richest in society. Removing VAT exemptions for staple foodstuffs should be avoided completely to avoid the most immediate harm.
- Consider the impact of advice on **public wage bills** on social service provision and female labour force participation. Setting constraints on overall wage bills should be avoided completely, and the indirect constraints of fiscal targets on public wage bill spending considered.
- Consider the impact of removing **energy or food subsidies** on the poorest and most vulnerable, including consideration of governments' binding international obligations to meet core needs of their people, going beyond assessments that subsidy schemes overall disproportionately benefit the wealthy and avoid support for divisive and ineffective poverty targeting.
- Support the development of universal delivery of **social protection, including health care and basic income security for all**. Evaluate if delivery design will result in coverage gaps, exclusion errors, or overburdening of administrative capacity and do not assume that more targeted systems are always the more cost-effective option.
- Consider the gender and economic inequality impacts of the **fiscal costs of public-private partnerships**.
- Consider the impact of **labour market reforms** on workers' rights under international labour standards, economic inequality, incomes, labour share, non-discrimination, and employment. Advice to limit or forgo minimum wage increases and decentralisation of collective bargaining should be avoided completely.
- Consider and correct the Fund's **optimism bias in growth forecasts** linked to fossil fuel development and significant fiscal consolidation reforms.²²
- Consider **energy transition risks** of member countries, in particular stranded assets and loss of revenues, which have been accelerated by Covid-19. Directly supporting fossil fuel-based energy investments should be avoided as they can create further dependence of fossil fuel exports or fossil-fuel infrastructure lock-in, which could lead to build in future risks in the economy.

²² J. Cust, D. Mihalyi, *The Presource Curse*, Finance and Development, December 2017, Vol. 54, No. 4, K. Ismail, R. Perelli, J. Yang, *Optimism bias in growth forecasts – the role of planned policy adjustments*, IMF, 8 November 2020.

III. *Staying in the macroeconomic policy lane*

30. While the IMF's engagement with macrostructural issues has been welcomed by many, it has also raised concerns about the institution's exact role and relationship with other organisations. In part, this is a function of the IMF's improved analysis, that correctly identifies that economic and gender inequalities, as well as climate change, affect macroeconomic outcomes and each have distinct macroeconomic policy drivers. The interconnectedness between these different policy areas does not naturally fit an international architecture that artificially separates deeply interconnected areas. At times, policies designed to reduce inequalities or combat climate change necessarily overlap with those designed to maintain economic growth and stability, meaning close collaboration with other international organisations is required (see *B. How to Engage*). In other instances, these policy areas lay squarely within the mandate of other international organisations.

31. To better navigate these complexities, IMF staff should firstly carefully consider the role and mandate of other international organisations in relation to macrostructural issues before contemplating providing specific policy advice in these areas. To do so, staff engaging in bilateral surveillance would benefit in general from gaining a stronger understanding of the roles and mandates of other multilateral institutions, in particular of those that are, like the IMF, part of the UN system. Mandatory country-level staff trainings on international law and the mandates and structures of international organisations should be considered in this context. Strengthening the capacity of the office of the IMF Special Representative to the UN and better integrating its work at country-level would also be beneficial in this regard.

32. Where relevant policy instruments fall outside the macroeconomic policy toolkit and within the mandate of another organisation, IMF staff should refrain from providing policy advice altogether and rather refer the authorities to that organisation's policy recommendations. Obstacles to progress on gender inequality, economic inequality and combating climate change are often not necessarily due to a lack of expert policy proposals, from either international institutions or national to local level actors. Rather, policy proposals that address the relevant structural barriers to change are commonly not given enough policy or fiscal space to be realised. Where policy areas lay squarely within the mandate of other international organisations or bodies, the Fund should conceptualise its role as their ally in the spirit of international cooperation and in line with SDG 16. Recognising that IMF staff are often influential in finance ministries and other government bodies that are critical to addressing gender inequality, economic inequality and climate change, the Fund can play an important **signalling function** by flagging the relevance of these issues and directing authorities to the appropriate expert bodies and stakeholders for policy advice. This ensures the IMF stays within its mandate and that IMF resources are spent where they have additional value. It also limits the in-house expertise required by the IMF for tackling macrostructural issues.

33. In relation to gender discrimination, a central expert body is the UN Committee on the Elimination of Discrimination against Women (CEDAW), the body of independent experts that oversees and monitors implementation of the Convention on the Elimination of All Forms of Discrimination against Women, ratified by 189 IMF member states. When issues related to gender equality are identified as macro-relevant, IMF staff should firstly review the latest CEDAW Concluding Observations to the country under review and any relevant General Recommendations, which are publicly available. These issues include female labour force participation, gender pay gaps, gender-based violence, gender gaps in access to finance, education, healthcare, political representation, and basic infrastructure, legal barriers to gender equality, leave and childcare policies, and tax and spending policies as they pertain to gender inequality, as well as women's sexual and reproductive health and rights. Secondarily, the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), which holds the mandate to coordinate the accountability of the United Nations system in its work on gender

equality and women's empowerment, should be consulted, in particular at the national level. Its mission is explicitly to help coordinate and enhance, not replace, efforts by other parts of the UN system, such as the IMF, to work for gender equality and women's empowerment in their areas of expertise.²³

Illustration: Contraception policy in Niger

I. Macro-relevance

The IMF is increasingly identifying demographic shifts and the rate at which women give birth as macro-relevant, which would benefit from systematisation and the development of standardised indicators.

II. Staying in the macroeconomic policy lane

Yet, policy advice specifically relating to access to contraception falls squarely outside the macroeconomic policy toolkit and within the CEDAW Committee's mandate on women's health rights.²⁴ Thus, contrary to its 2017 surveillance work in Niger,²⁵ IMF staff should refrain from providing its own policy advice on contraception access in the context of demographic change. Instead, IMF staff should have reviewed the Committee's Concluding Observations for Niger, which have repeatedly called attention to the lack of financing allocated for critical contraception and family planning services needs as a key obstacle in this area and refer the authorities to them.²⁶

III. Do no harm

Finally, the IMF should reconsider its own policy advice in light of these Concluding Observations. In particular, it should reflect on how its advice in the same surveillance consultation to 'step up' fiscal consolidation and 'streamline' hiring in the civil service may restrict the government's ability to finance critical public women's health services.

34. In relation to social protection and labour market policies that are critical policy areas to gender and economic inequalities, coherence and joint work with the ILO remains lacking. In surveillance, the IMF should always collaborate with the ILO on macroeconomic policies for full employment, with a focus on climate-friendly jobs, overcoming income inequality, and gender equality in the labour market. On a practical level, IMF Article IV missions can liaise with ILO country offices, including on labour market and social protection goals or gaps based on ILO dialogue with authorities or its supervisory mechanisms. Deepening work with the ILO can also lead to arranging tripartite consultations for Article IV missions that bring together the social partners and ministries with direct responsibility for labour and social policy. Claims of the growth benefits of labour market deregulation, including slashing employment protection legislation, collective bargaining decentralisation and limiting minimum wage increases contradict actual experience and evidence. Further, surveillance risks undermining minimum wage fixing under ILO standards.²⁷ Caution should be exercised on the development of structural reform indicators, including for employment protection legislation, and greater attention given to the effects of such flexibilisation on gender discrimination and income inequality. As one of the most critical tasks of the IMF is to support job creation, collaboration should be scaled-up with

²³ UN Women, *UN creates new structure for empowerment of women*, Press Release, 2 July 2010.

²⁴ CEDAW Committee, *General Recommendation No. 24: Article 12 of the Convention*, 1999.

²⁵ IMF, *Niger: Selected Issues Paper*, Country Report No. 17/60, February 2017, p. 45.

²⁶ Committee on the Elimination of Discrimination against Women, *Concluding observations on the combined third and fourth periodic reports of the Niger*, CEDAW/C/NER/CO/2, 11 June 2007.

²⁷ ITUC, *Frontlines report*, April 2013; ITUC, *The IMF's renewed supply-side push: Four decades of structural adjustment and austerity conditionality*, May 2020.

the ILO on identifying macroeconomic policies for full employment, identifying gender and income inequalities, and ensuring that the IMF does not impinge on the labour rights aspects of SDG 8.

35. In relation to climate change, the IMF should strengthen its engagement with the Task Force on Climate-Related Financial Disclosures of the Financial Stability Board, the Network for Greening the Financial System (NGFS), as well as with the United Nations Conference on Trade and Development (UNCTAD). The NGFS, made up of central banks and financial supervisors, seeks to integrate climate risks into its work to maintain macroeconomic stability. Although its approach has clear limitations, it would benefit the IMF to develop a clear framework for collaboration.²⁸ UNCTAD has outlined a clear vision for a Global Green New Deal that offers a transformative pathway to an international financial architecture that is fit for purpose in the 21st century.²⁹ Unlike in the case of the two other thematic areas – gender and inequality – the international architecture required to tackle physical and transition risks are comparatively less well developed; however, there is a clear understanding that economies will need to drastically adjust over the short term to limit global warming to below 1.5C. The IMF’s approach to integrating climate into its surveillance work must therefore be open, consultative, and iterative – offering the opportunity to course-correct as the IMF develops its approach and improves its capacity.

B. How to engage

36. In considering how the IMF should engage and provide policy advice on macrostructural issues in surveillance, in general, this process should be well integrated into existing surveillance procedures and rely on consistent information gathering, analysis and evaluation. However, given their highly interconnected nature and particular qualities, the following principles of engagement for IMF surveillance are particularly important for macrostructural issues.

I. Principles of engagement

37. In addition to safeguarding stability and against spill-over risks, the objective of IMF policy advice in surveillance in relation to macrostructural issues should be to support governments in developing an enabling macroeconomic environment to meet international commitments and obligations in these areas. Unlike some of the traditional areas of work of IMF surveillance, such as debt sustainability or interest rate policy, governments already benefit from an international infrastructure aimed at tackling inequalities and combating climate change, including a range of international commitments and binding obligations countries have willingly made in these areas. Making progress in these areas is not only relevant to fulfilling the mandate of the IMF, but the IMF’s macroeconomic work also critically influences whether governments are able to fulfil these broader commitments and obligations. After carefully considering ‘*When to engage and when not to*’, a primary role of IMF policy advice in country-level surveillance should therefore be to support the removal of structural macroeconomic barriers to progress on these issues and help bring about the macroeconomic conditions that enable countries to meet their international commitments and obligations in relation to economic inequality, gender inequality, and climate change.

38. When considering providing policy advice on macrostructural issues in bilateral surveillance, the interlinkages between economic inequality, gender inequality, and climate change should be carefully considered. Macrostructural issues are by definition highly

²⁸ For analysis on the limitations of the NGFS’ approach, see for example: OilChange International and Reclaim Finance, *NGFS Scenarios: Guiding finance towards climate ambition or climate failure?*, February 2021.

²⁹ UNCTAD, *Trade and Development Report 2019: Financing a Global Green New Deal*, 25 September 2019.

interconnected and efforts should be made to understand the implications of policy advice across their intersections. Policy advice pursuing one macrostructural issue area could be complementary to either or both of the other two areas, e.g. tax policy advice aimed at enhancing progressivity can reduce both economic and gender inequality and taxing luxury carbon can support efforts to reduce inequalities and combat climate change. However, policy levers aimed at pursuing one of these areas could also conflict with or undermine progress in another, i.e. significant fuel subsidy cuts can both reduce greenhouse gas emissions and exacerbate inequalities if not carefully considered (see paragraph 42-45). The IMF can play a unique role in identifying and exposing trade-offs in macroeconomic policymaking in this regard, but – as mentioned above – this would only be possible through developing a more nuanced understanding of the inter-relationship between these different areas.

39. In instances where the IMF considers its policy advice on macrostructural issues in surveillance can have additionality in relation to the work of other international organisations, IMF staff should enhance its engagement and cooperation with them.

Consistent with recommendations of the IMF's Independent Evaluation Office (IEO), in areas where there is overlap between the mandates of other international organisations and the macroeconomic advisory role of the IMF in surveillance, IMF staff should seek to strengthen engagement and develop and agree on concrete collaboration frameworks.³⁰ Given the IEO's findings that collaboration between the IMF and international organisations other than the World Bank has often been deeper and added greater value to the IMF's work, the IMF should pursue this in particular in relation to other UN organisations and look beyond the World Bank for relevant expertise. While this already takes place on an *ad hoc* basis and some of the macrostructural work of the IMF has been informed by the work of others, this should be further systematised. In that way, the IMF can ensure its work is not out of step with that of the international community and puts its limited expertise to best use. Updating or newly agreeing detailed Memoranda of Understanding with key organisations that include agreements on cooperation in surveillance work could be beneficial in that regard.

40. Finally, strong civil society engagement with IMF staff at country-level is particularly critical for addressing macrostructural issues and should be enhanced.

In addition to CSO experience and expertise complementing gaps in IMF capacity to address macrostructural issues, which should include heterodox economists and other academics at national and international level, participation and representation of marginalised groups that are directly impacted by policy advice issued in IMF surveillance are crucial components of fair and informed decision-making. As a public organisation whose work carries major social implications, all of the IMF's work should benefit from rigorous and meaningful engagement with civil society in all its diverse forms, including women's rights organisations and climate justice groups. Macrostructural issues however are in large part fundamentally about dismantling structural inequalities in favour of those that have been systematically marginalised and are most vulnerable, such as women migrant and agricultural workers – who are deeply and disproportionately impacted by economic inequality, gender inequality, and climate change. Engagement with these types of groups in macrostructural policies is therefore even more critical, yet does not take place in IMF country-level surveillance. Where there are concerns related to lack of civic space, IMF teams must make extra efforts to hear from civil society in a safe way. **We recommend a review of the 2015 Guidelines on the IMF Staff Engagement with Civil Society Organizations with a view to strengthen and systematise country-level surveillance staff engagement with civil society organisations specifically on macrostructural issues.** More broadly, it is essential that IMF policy advice is discussed in public national social dialogues.³¹

³⁰ Independent Evaluation Office, *IMF Collaboration with the World Bank on Macro-Structural Issues*, 2020.

³¹ For best practices on national social dialogues, see I. Ortiz, M. Cummins, *Austerity: The New Normal, A Renewed Washington Consensus 2010-24*, Initiative for Policy Dialogue et al, October 2019, box 11, page 52.

II. Issues in Focus

41. To illustrate the ways in which the IMF can improve how it engages on macrostructural issues in surveillance using these principles, this chapter outlines more detailed guidance in the specific policy areas of fuel and energy subsidy reform and domestic resource mobilisation.

Fuel and energy subsidy reform

42. IMF staff should consider its relevance in surveillance in relation to climate change in part in terms of supporting its members in creating an enabling macroeconomic environment to realise their Nationally Determined Contributions (NDCs) of the Paris Agreement of the UNFCCC. In relation to considering providing policy advice on fuel and energy subsidy reform, the starting point for IMF staff should therefore be not only that these subsidies are macro-relevant because they make up a large part of government expenditure, but also because these reforms may support member countries in meeting their Nationally Determined Contributions.

43. Fuel and energy subsidy reforms exemplify the importance of considering the connections between different macrostructural issues. While fossil fuel-based energy and fuel subsidies must ultimately be removed from a climate perspective and a significant proportion of subsidy benefits are captured by well-off households and corporations, removing these subsidies can exacerbate economic inequality. Their removal can raise the transportation, heating, cooking and lighting costs for the middle and lower class, as well as the poorest segments of the population where the effects can be devastating because these basic needs comprise a large share of household spending. These impacts can also exacerbate gender inequality, as increased cooking fuel prices can disproportionately force women to revert to firewood collection and increase their unpaid care work burdens for instance, while the correlation between income and gender inequality means women are likely to be disproportionately represented amongst those most impacted in their ability to meet basic living needs, such as heating.³² Cuts in fuel subsidies can also undermine popular support for climate action and ultimately slow the low-carbon transition. Without front-loaded investments in green transportation alternatives, such as electrified public transportation in urban areas, reductions in consumer fossil fuel subsidies may also have little impact on reducing emissions.³³

44. IMF staff issuing policy advice on fuel and energy subsidies in surveillance would benefit from enhancing cooperation with other international organisations and strengthening civil society engagement. IMF policy advice on fuel and energy subsidies in surveillance currently reflects only some components of the 2019 findings of the UN Inter-agency Task Force on Financing for Development and falls short of ensuring the public is informed and fully prepared for the energy transition.³⁴ At country level, when considering fuel and energy subsidy reform, IMF staff should systematically and actively seek to collaborate with country level staff of UNCTAD and the UN Regional Commissions to better align policy advice and enhance complementarity with their areas of work. In relation to civil society engagement, as several UN organisations have repeatedly pointed to, social dialogue is critical to better crafting plans that avoid harm, as well as to enhancing democratic ownership of national economic policies. The failure of sufficiently taking that into account has led to the removal of energy subsidies sparking

³² See for instance, Oxfam, *Time to Care: Unpaid and underpaid care work and the global inequality crisis*, January 2020; WILPF, *The Effects of Intervention by International Financial Institutions on Women's Human Rights in Ukraine*, Joint Shadow Report, CEDAW Committee, 66th Session, 2017.

³³ See, Ann Pettifor, *The Case for the Green New Deal*, London: Verso, 2019.

³⁴ United Nations Inter-agency Task Force on Financing for Development, *Financing for Sustainable Development Report 2019*, 2019.

waves of protests and in some cases, overturning agreements made between the authorities and the IMF.³⁵

45. Approaching fuel and energy subsidy reforms in a way that is consistent with this framework would further point IMF staff to consider questions of timing and poverty targeting, upstream policy interventions, leveraging public investment for just transitions and appropriate burden-sharing of spill-overs in country-level surveillance. Many of the worst and irreversible social outcomes of fuel and energy subsidy reforms have involved their sudden or even overnight removal, while the development of social protection programmes that may compensate for price increases takes time and can fail to reach the intended recipients. IMF policy advice in surveillance does not commonly reflect this. The vulnerability of the middle classes to price increases in most developing countries is also typically not taken into account sufficiently in IMF policy advice in surveillance, as any mitigating measures recommended usually comprise social safety nets that attempt to strictly target the poor and even those commonly include significant exclusion errors.³⁶ Meanwhile, IMF policy advice often provides de facto support for producer-end fossil fuel subsidies, including countries' prioritised investments in new fossil fuel infrastructure, which typically include tax incentives.³⁷ Instead of focusing on consumer-end subsidies, the IMF should consider upstream level interventions and assess whether these create risks of stranded assets or liabilities. The IMF could also contribute to climate action by encouraging public investment for affordable low-carbon energy, in order to create a just transition path for workers and for everyday energy users – as well as public investment in resilience. Rather than a narrow focus, the IMF can best support climate sustainability including a just transition by supporting an enabling macroeconomic and policy environment, including the ability of countries to undertake sustainable industrial policy to create climate-friendly jobs. More broadly, while the 2014 Triennial Surveillance Review pointed to the need to increase spill-over analysis in surveillance, in relation to climate change, every member state is still treated as if it were an island in surveillance. The climate justice community would point the IMF towards the need for a greater understanding of the particular spill-overs of confronting climate change and how member countries can share burdens in a differentiated manner consistent with a just transition.

Domestic resource mobilisation

46. The progressive mobilisation of domestic resources is critical in providing an enabling macroeconomic environment to reduce economic inequality, gender inequality and combat climate change. Enhancing progressivity in IMF tax policy advice in country-level surveillance has been consistently considered one of the key ways in which the IMF can appropriately and proactively play a positive role in relation to macrostructural issues.³⁸ Applying this framework to IMF policy advice in country-level surveillance on domestic resource mobilisation reveals several areas for improvement in this regard.

47. The IMF must put its more progressive tax rhetoric into practice in bilateral surveillance and significantly strengthen the progressivity of its tax policy advice. IMF policy advice continues to be overly reliant on the collection of the most regressive types of taxes,

³⁵ I. Ortiz, M. Cummins, *Austerity: The New Normal, A Renewed Washington Consensus 2010-2024*, Initiative for Policy Dialogue et al., October 2019; Reuters, *Ecuador's Moreno scraps fuel subsidy cuts in big win for indigenous groups*, 14 October 2019.

³⁶ S. Kidd, *Pro-poor or anti-poor? The World Bank and IMF's approach to social protection*, Bretton Woods Project, Observer Spring 2018.

³⁷ H. Mainhardt, *Build Back Better? IMF's policy advice hampers green COVID19 recovery*, Recourse, Greenpeace, Earthlife Africa, Centre for Financial Accountability, September 2020.

³⁸ See for instance, in relation to inequality, Oxfam, *Great Expectations: is the IMF turning words into action on inequality?*, 10 October 2017; in relation to gender, E. Bürgisser, *The IMF's role in creating an enabling macroeconomic environment for women's rights and gender equality*, Bretton Woods Project, The IMF and Gender Equality: A Compendium of Feminist Macroeconomic Critiques, October 2017.

in particular VAT, while in comparison still only rarely reflecting considerations on property tax, capital gains tax, personal income tax, and corporate tax.³⁹ Reflecting the understanding that tax policy decisions can be potential drivers of inequalities, i.e. ‘do harm’, on the occasion of the 2019-2021 IMF Comprehensive Surveillance Review, the IMF should firstly urge its staff to always consider enhancing tax progressivity, including consistently advocating for greater taxation of wealth and incomes of the richest in society (see para. 29). This particularly includes strengthening guidance to country-level staff on considering progressive personal income tax rates and thresholds and providing more consistent policy advice on corporate income tax in particular. This also includes reinforcing tailored advice to maximise corporate tax revenue, including eliminating exemptions and tax incentives, which benefit large corporations and deprive governments of revenues that can be used for progressive public investments. When engaging in VAT policy advice, staff should ensure VAT policies supporting exemptions or zero ratings to protect the basic needs of the poorest consumers are effective and implemented.

48. Consistent with the principles laid out in this framework, IMF country-level surveillance can play a stronger role in enhancing the understanding of its members of the interconnected macrostructural dimensions of DRM. For instance, while considerations relating to gender issues now appear in the majority of Article IV reports, this is almost never in relation to VAT and very rarely in relation to other types of tax policy advice. At the same time, the IMF currently carries out some incidence analysis of tax reforms proposed in bilateral surveillance. That analysis would be significantly strengthened if it considered how the general regressivity of VAT can carry differential gendered impacts and exacerbate gender inequalities as well.⁴⁰ Similarly, the IMF would benefit from better understanding how to design carbon taxes and the taxing of ‘upstream’ fossil fuel production in particular in a way that is also genuinely progressive.

49. Finally, the principles of this framework put forward that the IMF should seek to enhance cooperation with international organisations and engagement with civil society at country level on the macrostructural dimensions of DRM. Looking beyond the World Bank, the IMF should seek closer cooperation with organisations such as UNCTAD, UN Women, and the CEQ Institute to exchange information, collect data and strengthen analysis on the macrostructural dimensions of DRM. Adopting this proposed framework would also point the IMF to the developing work of the CEDAW Committee on international tax issues, in which the Committee is increasingly identifying the extraterritorial impacts of tax abuse on women’s rights.⁴¹ In civil society, the international tax justice community has long-standing expertise in equality-based approaches to tax policy, while civil society communities that are organising on the exact intersections of tax, climate change and gender equality have been emerging and gaining strength and expertise over the past five years in particular. The IMF should systematically seek out their expertise and experiences at country level throughout its bilateral surveillance work.

³⁹ Oxfam, *Is IMF Tax Practice Progressive?* Development Finance International, New Rules for Global Finance, Discussion Paper, October 2017.

⁴⁰ M. Buenaventura, *The IMF, Gender Equality and VAT*, Bretton Woods Project, April 2017; K. Lahey, *Gender Taxation and Equality in Developing Countries*, UN Women, 2018.

⁴¹ N. Fowler, *UN criticises Switzerland and pressure mounts over human rights impacts of tax havens*, Tax Justice Network, December 2016.

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