Independent Evaluation Office
of the International Monetary Fund

THE IMF'S ROLE IN SOCIAL PROTECTION: FUND POLICY AND GUIDANCE

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Abbreviations

ESAF	Enhanced Structural Adjustment Facility
HIPC	Heavily Indebted Poor Countries
ILO	International Labour Organization (UN)
LIC	low income country
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
UN	United Nations
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme

I. INTRODUCTION

1. **This background note briefly outlines IMF policy and guidance in the area of social policies and social protection from the late 1970s through 2017.[1]** Social protection is not an explicit part of the IMF's mandate. Broadly speaking, the principles governing the Fund's role in the area of social protection are embodied in Article I(ii), which provides that among the purposes of the Fund are, inter alia, to "contribute … to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." At the same time, Article IV, Section 3(b) of the Articles of Agreement directs the IMF to "respect the domestic social and political policies of members" in conducting surveillance.[2] With regard to the use of Fund resources, similar language was inserted in the 1979 Guidelines on Conditionality (Decision No. 6056-(79/38)).[3]

II. EXECUTIVE BOARD AND MANAGEMENT VIEWS

2. **Through the 1980s, the Fund view was that distributional and social policies largely lay outside the institution's purview.[4]** In discussing a report on the Fund's role in poverty reduction, Directors cautioned that "the Fund should continue to recognize that it was, in the final analysis, the country's prerogative to make the social choices in the process of its economic

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[1] This note highlights Directors' views on social policies and social protection as expressed in Summings Up of Executive Board meetings, as well as Management and operational guidance. It does not present Directors' views as expressed at Informal Seminars, which are held for Directors' information or to engage in discussion and do not represent IMF policy. See Annex 1 for a list of Communiqués of the Interim Committee/International Monetary and Financial Committee, Summings Up of Executive Board meetings, and Management and operational guidance related to social policies and social protection for the period noted.

[2] The Preamble of the 2012 Decision on Bilateral and Multilateral Surveillance (also known as the Integrated Surveillance Decision) notes that "… the Fund recognizes that members have legitimate policy objectives that are beyond the scope of Article IV and, accordingly, beyond the scope of this Decision, although when adopting policies to achieve these objectives, members need to ensure that such policies are consistent with their obligations under Article IV. They are also encouraged to be mindful of the impact of such policies on the international monetary system" (IMF, 2012a).

[3] Decision No. 6056-(79/38) states: "In helping members to devise adjustment programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems." This sentence was retained in the 2002 Guidelines on Conditionality, Decision No. 12864-(02/102), which superseded the 1979 Guidelines on Conditionality (with the exception of replacing "adjustment" with "economic and financial"). Per the guidelines, program-related conditions generally must be either "(i) of critical importance for achieving the goals of the member's program or for monitoring the implementation of the program, or (ii) necessary for the implementation of specific provisions under the Articles or policies developed under them."

[4] At a May 1978 address in London, Managing Director H. Johannes Witteveen noted that "the Fund avoids taking a view on the appropriate distribution of the burden of adjustment as between various sections of society…. The Fund recognizes, however, [that] a longer period [of adjustment] could make it possible for the authorities to choose from a broader range of alternative policy instruments, permitting a more acceptable distribution of the burden between various sections of society" (IMF, 1978).

adjustment, growth, and development," and agreed that "questions of income distribution should not form part of Fund conditionality" (IMF, 1988).[5]

3. **At the same time, the Board acknowledged that a deeper understanding of the implications of IMF-supported adjustment policy instruments and programs on vulnerable groups was critical for the Fund's effectiveness.** Directors encouraged staff to "pursue more active research, policy studies, and in-house training programs [and] initiate discussions more actively on distributional issues during annual consultations and program negotiations," drawing on the expertise—but without duplicating the efforts—of the World Bank and United Nations (UN) institutions such as the UN Children's Fund (UNICEF), the International Labour Organization (ILO), and the UN Development Programme (UNDP) (IMF, 1988). Directors supported the "occasional use" of compensatory measures to mitigate the impact of adjustment programs on some poverty groups, even while some noted that the scope of such measures could be affected by budgetary and resource constraints (IMF, 1988).

4. **During a June 1993 discussion of Social Safety Nets in Economic Reform, the Board went somewhat further.** Directors generally encouraged staff to analyze the implications of reform measures for vulnerable groups during program discussions and to advise the authorities on options for social safety nets and their financing. A number of Directors, however, stressed that the design and financing of social safety nets were the responsibility of member countries themselves, that the World Bank had the leading role in poverty alleviation and other structural policy areas, and that the Fund should therefore be "extremely cautious in extending its involvement in areas that were not central to its fundamental tasks" (IMF, 1993). Directors agreed that the Fund could provide policy advice on social safety nets through technical assistance, but reiterated that staff should continue and indeed strengthen collaboration with the World Bank in carrying out this work.

5. **This occurred after the Managing Director more actively supported the Fund's increased engagement in social protection.** In March 1991, then-Managing Director Michel Camdessus issued a memo to department heads with revised guidelines on the Fund's poverty work that instructed staff to address concerns for the poor "as a matter of course": measures to protect the poor were to be an integral part of Fund programs, and even in non-program cases, Fund missions were to discuss the major implications of policy advice for the poorest groups. In June 1995, the Managing Director of the IMF and the President of the World Bank issued a joint memo and guidance note to the staffs of the Fund and the Bank on collaboration on public expenditure work in low-income countries. The guidance further recognized the need to coordinate advice on macroeconomic policy with advice on public expenditure policies and management. While the guidance did not explicitly address social policies, it suggested a process for how related analytical work should be carried out.

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[5] Analogously, the Enhanced Structural Adjustment Facility (ESAF) operational guidance for staff did not discuss social conditionality.

6. **The Managing Director called for broader Fund engagement in social and distributional policies following the 1995 UN World Summit for Social Development.** In March 1996, the Managing Director sent a second memo to department heads instructing staff to take account of the income distribution consequences of policy proposals in designing adjustment programs, where possible, and to work with the authorities to develop policies to mitigate adverse effects of reforms on income distribution. Noting that the Fund's concern with income distribution extended beyond the alleviation of poverty, he stressed that mission chiefs should be informed about income distribution in the countries they visited and staff should be prepared to discuss the broad implications of recommended policies for income distribution as part of Article IV consultations. In a third memo, in May 1997, the Managing Director instructed staff working on developing and transition economies to compile and monitor data on social expenditures (on education and health).

7. **By the late 1990s, the Board supported the inclusion of social safety nets and related conditionality in Fund-supported LIC programs.** At the 1998 discussion of lessons from Enhanced Structural Adjustment Facility (ESAF) reviews, Directors agreed that social safety nets should feature more prominently in the design of future low-income programs. Likewise, at the discussion of the Review of Social Issues and Policies in IMF-Supported Programs in September 1999, Directors reiterated that greater attention to social issues was necessary in LICs, including Heavily Indebted Poor Countries; and they agreed that structural benchmarks could be used selectively to protect social spending in ESAF programs.[6] Nonetheless, they noted that IMF staff should rely on the World Bank and others for inputs in order to ensure the targeting and quality of social spending.

8. **Directors expressed a range of views, however, on how and to what extent the Fund should be involved in social issues in other member countries.[7]**

- At the discussion of the Review of Social Issues and Policies in IMF-Supported Programs in September 1999, several Directors recommended that staff assess, in the course of surveillance, the adequacy of social policy instruments, the performance of social safety

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[6] By this time, the Fund had started to monitor the observance of social policy conditionality in IMF-supported ESAF programs. For example, an appendix table in the Review of Social Issues and Policies Board paper listed the policy measures, types of conditionality (including prior actions, performance criteria and benchmarks) in select programs between 1995-98 and whether the conditions had been met. There was no agreement during the Board discussion, however, to apply performance indicators for protecting social spending to a broader range of Fund-supported programs.

[7] This discussion took place a week after the Board discussed the report of the External Evaluation of IMF Surveillance which recommended, among other things, that surveillance focus only on the Fund's core areas of exchange rate policy and directly associated macroeconomic policies. While most Directors thought that the recommendation ran counter to the demands of the membership and the international community for greater emphasis by the IMF on the interactions between macroeconomic, structural, and social policies, other Directors believed that Fund surveillance had moved inappropriately into non-core areas such as social policy, pension reform, and labor markets.

nets, and the potential social ramifications of macroeconomic and financial policies; many others cautioned that this would detract from the appropriate focus of Article IV consultations; and several believed that the Fund did not have the "panoply of expertise" needed to assess these issues. As for work on social issues in any member country where the Fund may be engaged, Directors agreed that the World Bank and other relevant international organizations had the primary mandate and expertise and that more intensive cooperation between the Fund and the Bank was essential. Some Directors recognized, however, that in the event timely inputs from other organizations were not forthcoming, staff would have to provide social policy advice to the extent feasible.

- At the discussion of the IEO evaluation of Fiscal Adjustment in IMF-Supported Programs in August 2003, Directors agreed that Fund-supported programs should protect critical social expenditures but stressed that the Fund had neither the mandate nor the expertise to become involved in the detailed selection and design of social policy.

9. **In the wake of the global financial crisis, then-Managing Director Dominique Strauss-Kahn directed staff to pay due attention to social protection in Fund-supported programs** (Andersen, 2009).[8] At the discussion of A New Architecture of Facilities for Low-Income Countries in July 2009, Directors agreed that programs supported by the streamlined LIC facilities should safeguard and, whenever appropriate, increase social and other priority spending.[9]

10. **The Board has since supported increased attention by the IMF to social and distributional issues in surveillance and programs.**

- At the discussion of the Triennial Surveillance Review in October 2011, Directors agreed that the Fund could "pay more attention to inclusive growth, employment, and other social issues that have significant macroeconomic impacts, drawing from the expertise of other institutions" (IMF, 2011).

- At the discussion of the 2011 Review of Conditionality in September 2012, Directors encouraged "more analysis of the social impact of policy measures in programs, in close cooperation with country authorities and institutional partners" and supported, "where feasible and appropriate, inclusion of policy measures to mitigate adverse short-term impacts

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[8] The Managing Director introduced the notion of "'social conditionality'—helping countries develop or maintain safety nets for segments of the population that may be affected by an IMF program"—at a meeting of global parliamentarians in late 2008 (Schrader, 2008).

[9] While the Summing Up did not specify this provision, the Managing Director and Chairman of the Executive Board ascertained during the first of two Board meetings that Directors concurred on this requirement (EBM 09/75-1). The requirement was applied as of January 2010, when the new Poverty Reduction and Growth Trust (PRGT) became effective.

on the most vulnerable, particularly in programs with high risks and large fiscal adjustment" (IMF, 2012b). At the same time, Directors stressed the need to be mindful of the Fund's core areas of responsibility and competencies, and encouraged staff to draw on the expertise of other institutions to the extent possible.

- At the discussion of Social Safeguards and Program Design in PRGT and PSI-Supported Programs in May 2017, Directors welcomed the use of program floors for social and other priority spending as an important safeguard for outlays favoring vulnerable groups.[10] Where Fund-supported programs include policy measures with potentially adverse distributional impacts, Directors called on staff to document the steps taken to protect vulnerable groups where possible and with input from other development partners and external stakeholders. Directors noted that where social safeguards have the potential to affect domestic or balance-of-payments stability, staff should provide analysis and advice as part of Fund surveillance, with input from development partners where possible. Directors also directed staff to seek to strengthen country capacity for operating social safety nets, where appropriate.

11. **The present Managing Director, Christine Lagarde, has expanded this focus to include inequality.** Since the spring of 2014, the Managing Director's twice-yearly Global Policy Agenda has included a commitment for the IMF to provide policy advice to the membership on "macro-critical structural issues" including income inequality (see, e.g., IMF, 2014a; IMF, 2015a; and IMF, 2016). In discussing the work program, Executive Directors highlighted that this work should be focused on macro-critical areas related to the Fund's mandate and should not duplicate the efforts of other international organizations.

III. OPERATIONAL GUIDANCE TO STAFF

12. **Operational guidance on the expected coverage of social and distributional issues in bilateral surveillance has been broad in latitude and left to staff's judgment.** Surveillance Guidance Notes issued to staff call for coverage of structural and institutional issues to be "selective" and reflect country-specific circumstances.[11] Until 2010, selectivity was based on the principle of "macro-relevance," i.e., the extent of the "impact on macroeconomic conditions and prospects" in the country (IMF, 2005).[12] Since 2012, the standard has been based on the principle of "macro-criticality," in this context meaning the extent to which the issue/policy is "important

[10] "Social safeguards" in that discussion referred to "all measures aimed at safeguarding social spending and protecting the most vulnerable," i.e.: "(i) minimum floors for social and other priority spending, typically established using indicative targets (IT), and (ii) specific reform measures designed to protect vulnerable groups, sometimes established as prior actions or structural benchmarks under Fund-supported programs" (IMF, 2017).

[11] Surveillance Guidance Notes were issued in 2002, 2005, 2007, 2009, 2010 (Technical Update), 2012, and 2015.

[12] The 2005 Guidance Note explicitly stated that social and related issues "such as poverty, income distribution, social safety nets, social expenditure, and unproductive expenditure" should be addressed in accordance with the macro-relevance principle (IMF, 2005).

for a country's own stability and global stability" (IMF, 2012c). The 2012 guidance note directed staff to "cut back on issues that [were] not clearly at the core of the Fund's mandate"; at the same time, it stated that "macro-social issues (e.g., employment and income distribution) that pass[ed] the test of being critical to the assessment of macroeconomic stability should also be discussed, drawing on the expertise of other institutions with relevant mandates (e.g. ILO, OECD, World Bank)" (IMF, 2012c). The 2015 guidance note instructs staff to "[f]ollow the principles of macro-criticality, and Fund expertise or interest from a 'critical mass' of the membership in determining whether to provide advice" (IMF, 2015b) (see Figure 1). Ultimately, country teams are expected to "exercise judgment in selecting issues for in-depth coverage" (IMF, 2015b).

Figure 1. Criteria for Coverage of Structural Issues in Surveillance

	IMF Expertise	Lack of IMF Expertise
Potentially Macro Critical	Required: Analysis and policy advice Rely on in-house resources	Required: Analysis Rely on external resources
Not Macro Critical	On request: Analysis and policy advice Rely on in-house resources	Leave to others

Source: IMF (2015b).

13. **Operational guidance to staff on coverage of social issues in program conditionality has varied, while also providing broad latitude.** The 2002 Guidelines on Conditionality and associated Operational Guidance to Staff defined the Fund's core areas of responsibility as "macroeconomic stabilization; monetary, fiscal, and exchange rate policies, including the underlying institutional arrangements and closely related structural measures; and financial system issues related to the functioning of both domestic and international financial markets" (IMF, 2002).[13] For non-core areas, the guidance stipulated that program-related (structural) conditions may be established but require more detailed explanation of their criticality—and, since 2008, "a strong justification" (IMF, 2008). The meaning of "criticality" in this context is with reference to the achievement of program goals and the monitoring of program implementation. In the case of non-core but critical measures, the guidance further states that "the Fund will, to the extent possible, draw on the advice of other multilateral institutions, particularly the World Bank, or of bilateral donors that can provide the expertise" (IMF, 2008).[14] The 2014 guidance adds that "if feasible and appropriate" (within the key established principles of national ownership of reform programs; parsimony in program-related conditions; tailoring of programs to a member's circumstances; effective coordination with other multilateral institutions; and clarity in the

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[13] Operational Guidance to Staff on the 2002 Conditionality Guidelines was issued in 2003 and revised in 2006, 2008, 2010, and 2014.

[14] If the necessary expertise is unavailable or judged inadequate, the Fund may decide not to support the program rather than be exposed to reputational and financial risk.

specification of conditions), "any adverse effects of program measures on the most vulnerable should be mitigated" (IMF, 2014b).

14. **Operational guidance on program design and monitoring shifted in emphasis during the evaluation period, primarily from analyzing social impacts to protecting social and other priority spending.**

- Under the Poverty Reduction and Growth Facility (PRGF) (c. 1999), key social and sectoral programs and structural reforms aimed at poverty reduction and growth were expected to be identified and prioritized by the Poverty Reduction Strategy Paper (PRSP) process, and their budgetary impact costed. Furthermore, the social impact of major macroeconomic adjustments and structural reforms was expected to be analyzed (by the World Bank) and taken into account in the formulation of the program.[15]

- Under the PRGT, programs must be explicit about how they advance a country's poverty and growth objectives, including by safeguarding social and other priority spending as agreed by the Board in 2009.[16] The Handbook of IMF Facilities for Low-Income Countries stipulates that the effort to safeguard expenditures should be monitored through explicit targets, "typically an indicative floor on social or other priority spending, whenever possible" (IMF, 2012d).[17] The determination of what constitutes social or other priority spending is to be country-defined (i.e., by the member) and based on the national Poverty Reduction Strategy/Economic Development Document or, in the absence thereof, the authorities' medium-term poverty reduction and growth objectives and policies as outlined in the program documentation.[18] The requirement to incorporate poverty and social impact analysis of adjustment or reforms has been dropped.

- The 2013 Guidance Note on Jobs and Growth Issues in Surveillance and Program Work instructed staff that, where feasible and appropriate, policy measures to mitigate adverse impacts on the most vulnerable (such as strengthening social safety nets) should be

[15] The 2000 guidance note on Key Features of PRGF-Supported Programs stipulated that the World Bank should lead if technical impact analysis was needed, but PRGF documents should indicate what work was done and how it influenced policies. The 2006 PRGF Handbook specified that Bank staff would take the lead in: (i) the design of poverty reduction strategies (including the necessary diagnostic work such as poverty assessment and monitoring) and the provision of social safety nets, among other things; (ii) helping the authorities to cost priority poverty-reducing expenditures; and (iii) advising on how to improve the effectiveness and poverty-orientation of public expenditure (through Public Expenditure Reviews and the like) and in other structural reforms.

[16] The requirement applies to the Extended Credit Facility (ECF), Standby Credit Facility (SCF), and the Rapid Credit Facility (RCF), as well as the Policy Support Instrument (PSI) and Staff Monitored Program (SMP).

[17] The 2012 Handbook consolidated and replaced the 2006 Handbook for Staff on PRGF Arrangements and other internal guidelines. Updates were published in 2014 and 2016.

[18] In 2015, the Board agreed to conforming changes following the World Bank's 2014 decision to no longer require PRSPs and related documentation as part of its operational work.

included in program design. The guidelines note that such mitigation is desirable not only in PRGT-supported programs but in programs supported by the General Resources Account (i.e. most often, although not exclusively, availed by advanced and emerging market economies).

15. **The staff has also prepared and been guided by select papers, pamphlets, and manuals on social policies.** These include, for example, research on the distributional impact of fiscal policy, occasional papers on the distributional impact of adjustment programs, studies on pension reform and long-term fiscal sustainability, and manuals on energy subsidy reform. In many instances, these items have been written for member countries and only in some cases for staff as guidance in carrying out related work. Most often, such reports have not been discussed by the Board and they do not necessarily represent the view of the IMF or IMF policy. At times, such items have informed subsequent Board discussions and/or have been published externally.

ANNEX 1. THE IMF'S ROLE IN SOCIAL POLICIES AND SOCIAL PROTECTION: FUND POLICY AND GUIDANCE, 1979–2017

Year	Interim Committee/IMFC Statements	**(Executive Board-approved) Fund policy** (Excerpts from Summings Up of Board meetings or Decisions of the IMF)	Management guidance/Operational guidance
1979		*Guidelines on Conditionality (Use of Fund's General Resources and Stand-By Arrangements),* Dec. No. 6056-(79/38), March 3, 1979 "In helping its members to devise adjustment programs, the Fund will pay due regard to domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems."	
1986		*Seminar: Long-Term Trends in Social Expenditure in the Group of Seven Major Industrial Countries,* May 2, 1986 "Directors apparently felt that, while the issue of social expenditures and the political and ethical questions involved in them were not properly within the terms of reference of the Fund, the work of the Fund should nonetheless focus on the implications of the results of the study for macroeconomic developments and broad financial policies in member countries and the international community as a whole."	
1988		*Joint Fund/World Bank Staff Report on Poverty Issues,* September 2, 1988 "Directors supported the occasional use of compensatory measures … to mitigate the impact of [Fund-supported adjustment] programs on some poverty groups." "Directors generally agreed that the Fund needed a deeper understanding of the complex channels through which government policies affected poverty groups in specific countries. They pointed out that it was important that the Fund have a database adequate for analysis and policy recommendations. The Fund staff should … initiate discussions more actively on distributional issues during annual consultations and program negotiations. The staff should also draw more extensively on the expertise of the World Bank and other UN institutions, such as the UNICEF, ILO, and UNDP, in this area. Staff papers for the Board might include specific references to the evaluation of the implications of policies for poverty groups." "Directors cautioned, however, that while it was appropriate to draw the authorities' attention to the implications of policies for poverty groups, the Fund should continue to recognize that it was, in the final analysis, the country's prerogative to make social choices in the process of its economic adjustment, growth, and development. All Directors agreed that questions of income distribution should not form part of Fund conditionality."	
1991			*Revised Guidelines on Poverty-Related Work*—Memo from Managing Director to Heads of Departments, Bureaus, and Offices, March 8, 1991

1993		*Social Safety Nets in Economic Reform,* June 2, 1993 "Directors generally took the view that the Fund staff, in its discussions with program countries, should continue to attach importance to analyzing the implications of reform measures for vulnerable groups and advising the authorities on options for social safety nets and their financing in a way that would show how they could be integrated into the programs. This work should be carried out by the Fund staff, whenever possible, by drawing on the resources of the World Bank and, when available, other institutions. Directors also believed that Fund staff should continue to refine the analytical techniques to strengthen its advice, including through ex-post evaluations. They stressed the importance of discussing social safety nets and their financing in program documents." "[A number of Directors] emphasized that the Fund's tasks should remain focused on the restoration and maintenance of macroeconomic balance to foster sustainable growth. They stressed the responsibility of member countries themselves in the design and financing of safety nets. Moreover, they emphasized that the World Bank should take the leading role in poverty alleviation and other structural policy areas. Emphasizing also the growing constraints on Fund staff and related resources, they believed that the Fund should be extremely cautious in extending its involvement in areas that were not central to its fundamental tasks." "All Directors agreed that the Fund's policy advice through technical assistance on social safety nets should be continued to the extent that staff resources were available. To ensure efficient use of the Fund's scarce staff resources, however, Fund staff should continue and indeed strengthen collaboration with World Bank staff in order to draw on World Bank expertise and to avoid any overlap or conflict in advice offered by the Fund and the World Bank."	
1995	*Communiqué of the Interim Committee of the Board of Governors of the IMF,* October 8, 1995 "The Committee agreed that cooperation [with the ILO] should be strengthened, with a view to helping Fund missions to acquire a better understanding on labor markets and social protection issues…."	*Composition of Fiscal Adjustment and Growth*, November 17, 1995 "Many Directors stressed that conditionality should not attempt to micro-manage the … expenditure policies of member countries. Nevertheless, Directors generally agreed that, for assessing the quality of a fiscal adjustment strategy, it would be important to pay due attention to … the level and quality of expenditure on social services (especially primary health and education)…. Directors urged that, in this work, the staff collaborate closely with the World Bank in the areas of the latter's primary expertise and mandate.	*Bank-Fund Collaboration on Public Expenditure Work*—Memo and guidance note issued jointly to the staffs of the Fund and the World Bank by the Managing Director of the Fund and the President of the World Bank, June 27, 1995
1996	*Interim Committee Declaration, Partnership for Sustainable Global Growth,* September 29, 1996 "The Committee encourages the Fund to continue to cooperate with other international organizations [to assist member countries] to improve education and training; to reform public pension and health systems to ensure their long-term viability and enable the provision of effective health care; and to alleviate poverty and provide well-targeted and affordable social safety nets."	*Aging Populations and Fiscal Consequences of Public Pension Schemes with Particular Reference to the Major Industrial Countries; Pension Regimes and Saving,* February 7, 1996 "With regard to the role of the Fund in the area of pensions, Directors emphasized that the Fund should focus on the macroeconomic implications for saving, growth, budget positions, labor markets, etcetera. These matters could usually be pursued in the periodic WEO work and in Article IV reports. Specialized work and detailed advice to members on pension systems could in general best be fielded by the OECD and the World Bank. Some Directors also called for further analysis of these issues for economies in transition and developing countries."	*Guidance Note on UN Country Strategy Notes and ILO Collaboration*—Memo from Managing Director to Heads of Departments, Bureaus, and Offices, February 7, 1996 *Income Distribution Issues*—Memo from Managing Director to Heads of Departments, Bureaus, and Offices, March 26, 1996

1997			*Guidelines on Social Expenditure*—Memo from Managing Director to Heads of Departments, Bureaus, and Offices, May 28, 1997
1998		*Distilling the Lessons from the ESAF Reviews,* July 8, 1998 "[S]ocial safety nets should feature more prominently in the design of future ESAF-supported programs." *Bank-Fund Collaboration—Report of the Managing Director and the President,* September 22, 1998 "Most Directors looked forward to strengthened coordination on the preparation of poverty and social impact analysis (PSIA), which they viewed as a critical instrument to help ensure the effectiveness of the Fund's role in low-income countries. Directors underscored that the Fund should look to the Bank to assist on PSIA for reforms in Fund-supported programs, as this would be the best way of fully utilizing the relative strengths of each institution. At the same time, most Directors acknowledged that some in-house capability in this area will be necessary, in particular, to facilitate the integration of PSIA into PRGF-supported programs."	
1999	*Communiqué of the Interim Committee of the Board of Governors of the IMF,* September 26, 1999 "[T]he IMF, in close cooperation with the World Bank, and consistent with their mandates, must also take into account the direct social consequences of adjustment and reform efforts as well as the complementarity of macroeconomic and social policies for long-term growth and improved social indicators."	*Review of Social Issues and Policies in IMF-Supported Programs,* September 13, 1999 "Recognizing the need for mutually reinforcing macroeconomic and social policies, [Directors] underscored the importance of more closely integrating, with the help of the World Bank, social issues and poverty concerns into Fund-supported programs. Directors agreed that greater attention to social issues was necessary in the context of low-income countries, including HIPCs, where structural reforms are particularly critical. With regard to other countries, a variety of views was expressed on the degree and modalities of Fund involvement in social issues.... [A] number of Directors, while concurring that IMF-supported programs should encompass members' social policies and poverty reduction efforts, cautioned nevertheless that the IMF should not allow its primary mandate to be diluted." "All Directors emphasized that, as regards social issues, the World Bank and other relevant international organizations have the primary mandate and expertise.... Several Directors cautioned that the Fund did not have the panoply of expertise needed to assess the quality of social spending and related issues. Directors, therefore, underscored that the social components of countries' IMF-supported programs should draw, to the fullest extent possible, on the work of the World Bank and other relevant institutions." "Several Directors recommended that the staff should assess, in the course of surveillance, the adequacy of social policy instruments, the performance of social safety nets, and the potential social ramifications of macroeconomic and financial policies. Many others, however, cautioned that this should not detract from the appropriate focus of Article IV surveillance." "Directors considered that in countries where social spending is so low as to be a critical area of weakness, structural benchmarks could continue to be used selectively to protect social spending and to promote key institutional reforms. While many Directors thought that such benchmarks should only be used in ESAF-supported programs, some other Directors saw the value in applying performance indicators (performance criteria and structural benchmarks) to a broader range of Fund-supported programs. In establishing such structural benchmarks,	

		IMF staff will rely on inputs from the World Bank and others to ensure, inter alia, the targeting and quality of spending." *Poverty Reduction Strategy Papers—Operational Issues,* December 21, 1999 "[Directors] supported the integration into the macroeconomic frameworks of key specific, costed measures to increase growth and reduce poverty, noting that this will enhance existing efforts to increase social and other priority spending where appropriate, and to identify social safety nets." "Directors agreed that Fund arrangements under the PRGF must support and be consistent with the country's poverty reduction strategy." "For social policies, most poverty-reducing measures and other structural policies within the Bank's primary mandate, the Fund staff should ascertain whether the Bank staff has any major outstanding concerns about the adequacy of implementation before Fund management determines whether to recommend Board approval of disbursements under the PRGF arrangement."	
2000		*Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision,* March 10, 2000 "Many Directors suggested that staff reports should include the rationale for the coverage of noncore issues in terms of their macroeconomic relevance.... It was noted that the Fund did not have the breadth of expertise and experience necessary to cover many areas that, while outside traditional core areas, may at times be critical to a country's macroeconomic stability. On such issues, it will be essential to draw on the expertise of other institutions."	*Key Features of IMF Poverty Reduction and Growth Facility (PRGF) Supported Programs*—Guidance note for staff, August 16, 2000
2001	*Communiqué—Joint Session: IMFC and Development Committee,* April 29, 2001 "We are encouraged that the World Bank is developing improved methods to help countries assess the social impact of policies, as well as its own policy recommendations, and that the IMF will contribute to this exercise in its areas of expertise and draw on and integrate the social impact analyses of others into its macroeconomic policy advice. We urge the Bank and the Fund to implement these steps at the country level as soon as possible." *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the IMF*, November 17, 2001 "The IMF, working closely with the World Bank, should intensify its efforts within the Poverty Reduction Strategy Paper (PRSP) framework to assess the poverty and social impacts of reforms on the poor."	*Conditionality in Fund-Supported Programs,* March 7, 2001 "[M]ost Directors considered that any application of conditionality in [noncore] areas should be limited to measures that are critical to a program's achievement of its macroeconomic objectives.... Directors agreed that care would need to be taken to ensure that the authorities received adequate advice—from the World Bank or other agencies—to guide implementation of any measure outside the Fund's core areas to be included under Fund conditionality."	*Policy Statement on IMF Technical Assistance,* April 1, 2001 (NB: Board-approved operational guidance)

2002	*Communiqué of the International Monetary and Financial Committee of the Board of Governors of the IMF*, April 20, 2002 "The Committee encourages the Fund and the Bank to continue their collaboration on [using poverty and social impact analysis more systematically]" *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the IMF,* September 28, 2002 "The Committee encourages the Fund and Bank to continue their collaboration on [using poverty and social impact analysis more systematically, and building country capacity in this area]"	*Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality—Progress Report*, September 11, 2002 "Public expenditure management was cited as an area in which better collaboration is needed; a few Directors also stressed the importance of operationalizing Poverty and Social Impact Assessments (PSIAs)." *Guidelines on Conditionality,* Dec. No. 12864-(02-102), September 26, 2002 "In helping members to devise economic and financial programs, the Fund will pay due regard to the domestic social and political objectives." "Variables and measures that are outside the Fund's core areas of responsibility may also be established as conditions but may require more detailed explanation of their critical importance." "When establishing and monitoring conditions based on variables and measures that are not within its core areas of responsibility, the Fund will, to the fullest extent possible, draw on the advice of other multilateral institutions, particularly the World Bank."	*Operationalizing Bank-Fund Collaboration in Country Programs and Conditionality*—Staff guidance note, April 2002 *Operational Guidance Note for Staff Following the 2002 Biennial Surveillance Review*, September 13, 2002
2003		*Bank/Fund Collaboration on Public Expenditure Issues,* March 12, 2003 "Directors stressed that strengthened collaboration between the Fund and the Bank should maintain a clear division of labor between the two institutions. The Fund should be the lead agency on the aggregate aspects of macroeconomic policy and their related instruments, and the Bank on issues relating to public expenditure composition and efficiency, while close coordination between both in areas of joint responsibility should help ensure complementarity and avoid conflicting policy advice to country authorities." *Role of the Fund in Low-Income Member Countries Over the Medium Term; Fund Assistance for Countries Facing Exogenous Shocks,* August 27, 2003 "Directors saw the need for both Article IV discussions and Fund-supported programs to take routinely into account the probability of shocks and to consider what type of macroeconomic policies would better prepare authorities for that eventuality. To this end, they highlighted the importance of … social safety nets." *Evaluation Report on Fiscal Adjustment in IMF-Supported Programs by the IEO,* August 29, 2003 "Directors underscored the need to shield the poor from economic downturns and called for Fund-supported programs to incorporate, to the extent possible, the cost of social safety nets, which should be developed in advance by the authorities in collaboration with the World Bank." "Directors agreed that an important aim of program design should be to protect critical social expenditures. However, they stressed … that the Fund should not become involved in the detailed selection and design of social policy; this task is outside both the Fund's mandate and its expertise." "A number of Directors supported the IEO's call for updating of the 1997 guidelines that direct IMF work in the social area, in order to improve their clarity and effectiveness as an	*Operational Guidance on the New Conditionality Guidelines,* May 8, 2003

		operational tool in protecting the most vulnerable from economic shocks and budgetary retrenchment. Other Directors, however, viewed the existing guidelines as adequate." "Many Directors agreed with the recommendation that staff should inquire, during Article IV consultations, whether the authorities have identified social programs that they would like to protect in the event of a crisis, as they believed this would help dispel the criticism that Fund programs unduly curtail social spending. A few others considered this recommendation impractical, as it would create significant costs."	
2004	*Communiqué of the International Monetary and Financial Committee of the Board of Governors of the IMF,* April 24, 2004 "[The Committee] underscores the importance of improving the macroeconomic design of PRGF-supported programs, including the social impact." *Communiqué of the International Monetary and Financial Committee (IMFC) of the Board of Governors of the International Monetary Fund,* October 2, 2004 "[The Committee] calls for increased incorporation of poverty and social impact analysis into PRGF-supported programs…."	*Follow Up on the Recommendations of the Independent Evaluation Office Report on Fiscal Adjustment in IMF-Supported Programs,* March 1, 2004 "Directors reiterated that the Fund does have a role to play in the social sector—while emphasizing that the World Bank is the lead agency in this area." *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality—Progress Report,* March 17, 2004 "Most Directors looked forward to strengthened coordination on the preparation of poverty and social impact analysis (PSIA), which they viewed as a critical instrument to help ensure the effectiveness of the Fund's role in LICs. Directors underscored that the Fund should look to the Bank to assist on PSIA for reforms in Fund-supported programs, as this would be the best way of fully utilizing the relative strengths of each institution. At the same time, most Directors acknowledged that some in-house capability in this area will be necessary, in particular, to facilitate the integration of PSIA into PRGF-supported programs." *Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision,* July 23, 2004 "In members where shocks could have a sizeable impact on social conditions, most Directors were of the view that Article IV consultations and other contacts can offer an opportunity to solicit interested members' views on protection of social safety nets or of other priority expenditures in times of economic stress." *The Role of the Fund in Low-Income Member Countries,* August 30, 2004 "Directors generally saw merit in incorporating relevant Poverty and Social Impact Analysis into the Fund's work, with due regard being paid to resource constraints and comparative expertise." *The Design of Fund-Supported Programs,* December 17, 2004 "[Directors] considered that the design of programs in low-income countries should be based on a full consideration of the implications of policies for poverty reduction, taking into account micro-macro linkages and PSIAs."	
2005			*Surveillance Guidance Note,* May 9, 2005
2006			*A Handbook for the Staff on PRGF Arrangements,* May 24, 2006 *Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines*—Revised January 9, 2006

2007		*Fiscal Policy Response to Scaled-Up Aid; Aid Inflows—The Role of the Fund and Operational Issues for Program Design,* July 6, 2007 "Directors emphasized that the Fund should rely on the World Bank and other development partners for monitoring sectoral spending."	*Implementing the 2007 Surveillance Decision—Interim Guidance Note*, June 28, 2007
2008		*Seminar: Fuel and Food Price Subsidies-Issues and Reform Options,* October 1, 2008 "Directors stressed the importance of collaboration with the World Bank, UN agencies, OECD and regional development banks on subsidy reform. They observed that the Fund, consistent with its mandate, should focus on the macro-fiscal impact of subsidies and subsidy-reform options, while the Bank can more effectively assist countries in the design and implementation of subsidy reform."	*Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines*—Revised July 10, 2008
2009		*Seminar: Creating Policy Space—Responsive Design and Streamlined Conditionality in Recent Low-Income Country Programs,* September 24, 2009 "Directors observed that the twin crises had further exposed the weaknesses of existing social safety nets in many low-income countries, which constrained their ability to provide well-targeted social protection. In this regard, Directors noted the importance for the Fund to continue to work closely with the World Bank, regional development banks, and donors to help LICs put in place more effective social safety net mechanisms to address future shocks."	*Implementing the 2007 Surveillance Decision—Revised Interim Guidance Note,* June 22, 2009 *Bilateral Surveillance Guidance Note,* October 27, 2009
2010			*Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines*—Revised January 25, 2010 *Bilateral Surveillance Guidance Note* — Updated December 22, 2010
2011		*Macroeconomic and Operational Challenges in Countries in Fragile Situations,* July 7, 2011 "Most Directors welcomed the staff's increased emphasis on the political and social context in countries in fragile situations, which could inform the assessment of the risks of Fund engagement. However, a few Directors cautioned that such political and social issues lay outside the Fund's expertise." *2011 Triennial Surveillance Review,* October 24, 2011 "Directors agreed that the Fund could pay more attention to inclusive growth, employment, and other social issues that have significant macroeconomic impacts, drawing from the expertise of other institutions."	
2012		*2011 Review of Conditionality,* September 5, 2012 "[Directors] encouraged more analysis of the social impact in close cooperation with country authorities and institutional partners. Directors also supported, where feasible and appropriate, inclusion of policy measures to mitigate adverse short-term impacts on the most vulnerable, particularly in programs with high risks and large fiscal adjustment. In implementing these proposals, Directors stressed the need to be mindful of the Fund's core areas of responsibility and competencies, and encouraged staff to draw on the expertise of other institutions to the extent possible."	*Handbook of IMF Facilities for Low-Income Countries,* March 21, 2012 *Staff Guidance Note on the Fund's Engagement with Countries in Fragile Situations,* April 25, 2012 *Bilateral Surveillance Guidance Note,* June 13, 2012

2013			*Guidance Note on Jobs and Growth Issues in Surveillance and Program Work,* September 27, 2013
2014		*2014 Triennial Surveillance Review,* September 26, 2014 "Most Directors supported establishing clearer principles for the Fund's engagement in structural issues based on macro-criticality and the Fund's expertise or interest in a "critical mass" of the membership, leveraging the expertise of other international organizations and local experts where possible. Some others were reluctant to see any expansion of the Fund's work in non-core areas where the Fund has limited expertise."	*Staff Guidance Note on the Fund's Engagement with Small Developing States,* March 24, 2014 *Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines*—Revised July 23, 2014 *2014 Handbook of IMF Facilities for Low-Income Countries*, August 27, 2014
2015		*Financing for Development—Revisiting the Monterrey Consensus,* July 6, 2015 "[Directors] called for targeted Fund support for countries seeking to develop policies to promote economic inclusion, including gender inclusion, while underscoring that Fund engagement in these areas should focus on policy issues deemed macro-critical for achieving sustained economic growth and be based on a close collaboration with other institutions such as the World Bank."	*Guidance Note for Surveillance Under Article IV Consultations*, March 19, 2015
2016			*2016 Handbook of IMF Facilities for Low-Income Countries*, February 22, 2016
2017		*Social Safeguards and Program Design in PRGT and PSI-Supported Programs, May 26, 2017* "Directors saw scope to strengthen the effectiveness of these safeguards in protecting the poor and most vulnerable. In this regard, they generally supported staff's proposals to improve the design of social safeguards measures in PRGT and PSI-supported programs. Directors looked forward to the upcoming IEO evaluation on the "IMF and Social Protection," and encouraged the staff to draw on Board-endorsed policies based on its findings when preparing the staff guidance note that would help clarify how to treat social safeguards measures in Fund-supported programs and surveillance.... Directors welcomed the use of program floors for social and other priority spending as an important safeguard for outlays favoring vulnerable groups. Directors welcomed the adoption in Fund-supported programs of concrete measures to strengthen social safety nets, noting that such reforms may require time to design and implement.... In general, staff should consider national capacity to operate social safety nets, and should seek to strengthen such capacity, where appropriate, with technical assistance and training provided by the Fund and other development partners.... Where social safeguards have the potential to affect domestic or balance-of-payments stability, staff should provide analysis and advice as part of Fund surveillance, with input from development partners where possible.... Where Fund-supported programs include policy measures with a potentially adverse distributional impact, Directors called on staff to document the steps taken to protect vulnerable groups, with input from other development partners and external stakeholders, where possible."	

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