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## **IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD-ENDORSED RECOMMENDATIONS FOR THE IEO EVALUATION REPORT—“THE IMF AND SOCIAL PROTECTION”**

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## IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD-ENDORSED RECOMMENDATIONS FOR THE IEO EVALUATION REPORT—"THE IMF AND SOCIAL PROTECTION"

### EXECUTIVE SUMMARY

This paper sets out Management's response to the Independent Evaluation Office's (IEO) report on "*The IMF and Social Protection*."

The management implementation plan (MIP) proposes specific actions to address the IEO recommendations endorsed by the Executive Board in its discussion on July 19, 2017, specifically to: (i) establish a clear strategic framework to guide Fund involvement in social protection; (ii) provide tailored advice based on in-depth analysis of the particular country situation; (iii) find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated; (iv) realistically explain in external communications the IMF's approach to social protection issues; and (v) engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities. The MIP notes that the Board underscored the need to be mindful of the Fund's mandate to engage only in macro-critical areas while bearing in mind its resource constraints and comparative expertise in implementing these recommendations.

Implementation of some of these proposed actions is already underway. The paper also explains how implementation will be monitored and the MIP's resource implications.

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## INTRODUCTION

1. **This paper lays out a management implementation plan (MIP) to take forward the recommendations of the IEO evaluation “The IMF and Social Protection.”** It proposes a range of actions to address these recommendations,<sup>1</sup> whose effectiveness and scope will be reviewed and adjusted as warranted.

2. **The IEO report’s main findings and recommendations were supported by the Executive Board.** Directors stressed that social protection can be macro-critical, meriting Fund engagement on the issue in surveillance, programs, and technical assistance. They welcomed that the Fund has broadened and deepened its engagement in this area in recent years and recognized scope for further progress. Directors agreed that the Fund’s approach to social protection should be refined, while being mindful of the Fund’s mandate to engage only in macro-critical areas, the budgetary envelope for Fund activities, and the Fund’s comparative expertise.

## IEO RECOMMENDATIONS, BOARD REACTIONS, AND IMPLEMENTATION PLAN

3. **The IEO report made five recommendations, aimed at enhancing the Fund’s effectiveness in social protection issues (see text table).** This section discusses Directors’ reactions to the recommendations, specific actions to address recommendations that were endorsed by the Board, and how they will be monitored. A Board paper on “The IMF’s Engagement in Social Protection: An Institutional View”, to be produced by February 2019, will serve as an anchor for addressing the recommendations.

### The IEO Recommendations

#1: The IMF should establish a clear strategic framework setting the scope, objectives, and boundaries of the IMF’s involvement in social protection in the face of multiple competing claims on limited staff resources.

#2: Where social protection is judged to be a macro-critical strategic priority, the IMF should provide tailored policy advice based on in-depth analysis of the particular country situation. The advice would draw on work by development partners or country authorities where available, but in its absence, the necessary analysis may need to be undertaken in-house.

#3: The IMF needs to find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated.

#4: In external communications, the IMF should realistically explain its approach to social protection issues and what it can and cannot do in this area given its mandate and limited resources and expertise.

#5: The IMF should engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities.

<sup>1</sup> Annex I summarizes the evaluation’s recommendations, Directors’ responses, proposed measures, timelines, and responsibilities for implementation.

**4. The first recommendation on establishing a clear strategic framework to guide Fund involvement in social protection received broad support, and a Board paper on this issue will be prepared followed by a guidance note to staff.**

- *Board reactions:* Directors proposed that the strategic framework be set out in a Board-approved staff paper (“institutional view”) which delineates the scope, objectives, and boundaries of Fund engagement in social protection to foster a consistent, evenhanded treatment of social protection issues across the membership. In addition, the Board-approved staff paper could provide guidance for implementation of recommendations #2 to #5 discussed below. Consideration will be given to what extent existing guidance notes should be amended accordingly or a new guidance note should be formulated.
- *Implementation Plan:* Staff will prepare a Board paper on “The IMF’s Engagement in Social Protection: An Institutional View” for Board discussion by February 2019. Recognizing the need to leverage the expertise of other organizations, staff will consult with relevant institutions and stakeholders in developing this paper. The paper will propose a definition of the term “social protection” that is appropriate for the Fund’s work. It will discuss how to assess the macro-criticality of social protection, highlighting the relevance of both the affordability and efficiency of social protection systems, the potential forms that the Fund’s engagement might take, and the form of collaboration and engagement with other institutions. The paper will also lay out the Fund’s position on universal access to social protection and targeting of social programs, noting that targeting of scarce resources may be required to fill existing education, health and social protection gaps among disadvantaged groups. Following Board endorsement of the strategic framework, a guidance note would be prepared by end-2019 to guide operational implementation of the general approach. This note will also draw on past guidance issued in this area. An advisory group led by FAD will be created after the guidance note has been issued to provide practical support to country teams on social protection issues. This group will monitor and report progress on operationalizing social protection issues in country work.

**5. The Board broadly agreed with Recommendation 2 on the need to tailor advice to member countries’ conditions. The strategic framework outlined above will provide guidance on how this can be achieved and therefore no additional action is required.**

- *Board reactions:* Directors underlined the importance of drawing on work by development partners or country authorities where available. Many Directors considered that the Fund may need to undertake in-house analysis where such work is absent, while a few Directors cautioned about resource constraints and cost-effectiveness.
- *Implementation Plan:* The Managing Director supported the principle that the IMF’s advice should be based on in-depth analysis and tailored to country conditions and noted that, in a specific country case, the appropriate depth of Fund analysis would depend on the scale of engagement by the World Bank or other organizations with greater expertise on social protection issues—underscoring the need for engagement with the authorities, the World Bank, and other institutions on the nature and adequacy of the social protection system. The

prospects for gaining traction with the member country should also influence the Fund’s approach. The strategic framework discussed above will provide the necessary direction on when Fund staff will be expected to carry out in-depth analysis, provide policy advice that is tailored to a specific country situation, and leverage the expertise of other organizations. Staff training on social protection issues will be provided if needed.

**6. The Board supported the third recommendation on the need for the Fund to find an effective approach to program design and conditionality to mitigate the adverse impacts of program measures on the most vulnerable. The strategic framework will provide guidance drawing from work that is underway.**

- *Board reactions:* Directors called for comprehensive guidance to staff in Fund-supported programs across the membership, including those accessing GRA resources.
- *Implementation Plan:* The Managing Director agreed that the adverse social and distributional effects of policy measures should be taken into account when designing programs and establishing conditionality. The strategic framework will provide guidance on effective program design, covering both GRA and concessional lending. The latter will draw on the findings and recommendations of *Social Safeguards and Program Design in PRGT and PSI-supported Programs*;<sup>2</sup> a guidance note on implementing these recommendations is to be issued in the first half of 2018. The framework will also draw on the *2018 Review of Conditionality and the Design of the Fund-Supported Programs*, which will provide an opportunity to explore the effectiveness of conditionality designed to promote greater equality and protect the poor—including social protection measures—in all Fund-supported programs.

**7. The Board supported the IEO’s fourth recommendation to realistically explain in external communications the Fund’s approach to social protection issues. The strategic framework discussed above will help frame external communications.**

- *Board reactions:* Directors noted that clarity about the Fund’s involvement in social protection will help to sharpen external communications and avoid reputational risks to the Fund.
- *Implementation Plan:* The Managing Director noted that external communications play a critical role in building awareness and support for the Fund’s engagement in social protection issues. Working with other departments, COM will dedicate more staff resources to this area and produce appropriate communications products with the aim of enhancing its external communication in this area, consistent with the strategic framework.

**8. The IEO’s fifth recommendation to engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners received**

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<sup>2</sup> See [Social Safeguards and Program Design in PRGT and PSI-supported Programs](#).

**strong Board support. The strategic framework will explore how best to strengthen collaboration with other institutions in this area.**

- *Board reactions:* Directors strongly supported to engage actively and collaborate constructively with development partners and other IFIs, including the World Bank, to better leverage their expertise in social protection issues.
- *Implementation Plan:* The 2015 surveillance guidance note emphasized the importance of complementing the skills and expertise of Fund staff by collaborating more effectively with other organizations. *The Managing Director's Global Policy Agenda* reiterated the importance of collaboration with partners on issues including tackling the challenges laid out in the post-2015 development agenda.<sup>3</sup> The strategic framework will explore the modalities for cooperation, and help country teams determine under what circumstances and with which institutions Fund staff would further strengthen collaboration. In support of this goal, IMF senior-level staff will also attend the ILO- and World Bank-led Social Protection Interagency Cooperation Board (SPIAC-B) meetings when the issues under discussion are particularly relevant to the Fund's work.

## RESOURCE IMPLICATIONS

**9. The new initiatives outlined above would have resource implications.** Although some components of the deliverables underlying these recommendations can be covered by reallocating existing resources, the establishment of the strategic framework will likely require additional budgetary resources, which will be considered in the context of the annual budget. Specifically:

- Recommendation #1 to establish a clear strategic framework to guide the Fund's involvement in social protection will involve one-off costs of 1.5 FTE to produce a Board paper and 1 FTE for a follow-up guidance note. The provision of technical support by functional departments to help implement the Fund's work on social protection and monitor progress will be accommodated by reallocating existing resources.
- Recommendation #2 to provide tailored policy advice based on in-depth analysis of a particular country situation (in cases where social protection is judged to be a macro-critical strategic priority) will need to be accommodated by reallocating existing resources. Staff training on social protection issues, if needed, is expected to be covered through a reallocation of existing resources in line with other priorities, while additional resources would be required if substantial needs emerge.
- Recommendation #3 to find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated will not require additional resources. The guidance note following the June 2017 Board paper on *Social Safeguards and Program Design in PRGT and PSI-supported Programs* has

<sup>3</sup> See [Managing Director's Global Policy Agenda](#).

already been included in the Fall 2017 Work Program, and the *2018 Review of Conditionality and the Design of the Fund-Supported Programs* will be included in the Spring 2018 Work Program.

- Recommendation #4 to realistically explain the Fund’s approach to social protection issues in external communications will require about 1 FTE, which will be met by reallocating existing resources.
- Recommendation #5 to engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities, will be met through reallocating existing resources.



## Annex I. IEO Evaluation of The IMF and Social Protection: Recommendations, Board Response, and Proposed Follow-Up

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan and Timeline	Accountability
1. <i>Establish a clear strategic framework to guide the Fund's involvement in social protection.</i>	Directors agreed on the need to establish a clear strategic framework to guide the Fund's involvement in social protection. This framework could be set out in a Board paper that would delineate the scope, objectives, and boundaries of the Fund engagement in social protection. The Board paper could also provide guidance for implementation of Recommendations #2 to #5.	<ul style="list-style-type: none"> <li>• A Board paper on the strategic framework on social protection issues for the Board's consideration by February 2019.</li> <li>• A follow-up guidance note by end-2019.</li> <li>• An advisory group will be formed after issuance of the guidance note to provide support to country teams in operationalizing work on social protection.</li> </ul>	<ul style="list-style-type: none"> <li>• FAD, SPR, and COM</li> <li>• FAD and SPR</li> <li>• FAD</li> </ul>
2. <i>Provide tailored advice based on in-depth analysis of the particular country situation.</i>	Directors broadly agreed on the need to tailor advice to the member countries' circumstances, emphasizing the importance of drawing on work by development partners or country authorities where available.	<ul style="list-style-type: none"> <li>• The Board paper on the strategic framework for the Board's consideration in February 2019 will provide the required direction for staff on their country involvement.</li> <li>• A follow-up guidance note by end-2019.</li> <li>• Staff training if needed.</li> </ul>	<ul style="list-style-type: none"> <li>• FAD, SPR, and COM</li> <li>• FAD and SPR</li> <li>• FAD and ICD</li> </ul>
3. <i>Find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated.</i>	Directors supported this recommendation and called for comprehensive guidance to staff in Fund-supported programs across the membership, including those using GRA resources.	<ul style="list-style-type: none"> <li>• The Board paper on the strategic framework (for the Board's consideration in February 2019) will draw on work that is underway.</li> <li>• A follow-up guidance note by end-2019.</li> <li>• A guidance note on strengthening social safeguards measures in low-income country</li> </ul>	<ul style="list-style-type: none"> <li>• FAD, SPR, and COM</li> <li>• FAD and SPR</li> <li>• SPR</li> </ul>

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan and Timeline	Accountability
		<p>programs in the first half of 2018.</p> <ul style="list-style-type: none"> <li>The 2018 Review of Conditionality will assess effectiveness of Fund conditionality on social protection (for Board consideration in November 2018).</li> </ul>	<ul style="list-style-type: none"> <li>SPR</li> </ul>
<p>4. <i>Realistically explain the Fund's approach to social protection issues in external communications.</i></p>	<p>Directors supported this recommendation and noted that clarity about the Fund's involvement in social protection will help to sharpen external communications and avoid reputational risks to the Fund.</p>	<ul style="list-style-type: none"> <li>The Board paper on the strategic framework (for Board consideration in February 2019) will help frame external communications.</li> <li>More staff resources will be allocated to enhance external communications in this area. Appropriate communications products will be developed with departments.</li> </ul>	<ul style="list-style-type: none"> <li>FAD, SPR, and COM</li> <li>COM</li> </ul>
<p>5. <i>Engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities.</i></p>	<p>Directors strongly supported to engage actively and collaborate constructively with development partners and other IFIs, including the World Bank, to better leverage their expertise in social protection issues.</p>	<ul style="list-style-type: none"> <li>The Board paper on the strategic framework will explore ways to strengthen collaboration (for Board consideration in February 2019).</li> <li>IMF senior-level staff will attend SPIAC-B meetings when the issue under discussion is relevant to the Fund's work.</li> </ul>	<ul style="list-style-type: none"> <li>FAD, SPR, and COM</li> <li>SPR and FAD</li> </ul>

## Annex II. Resource Implications of the Management Implementation Plan

IEO Recommendations	One-off Resources		Recurring Resources
	Description	Cost	Cost
1. Establish a clear strategic framework to guide the Fund's involvement in social protection.	Board paper and guidance note	2.5 FTE	Reallocated
2. Provide tailored advice based on in-depth analysis of the particular country situation.	Board paper and guidance note	Budgeted under Recommendation #1	Reallocated
	In-house analysis when relevant work is unavailable elsewhere	Reallocated	
	Staff training if needed	Reallocated	
3. Find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated.	Board papers and guidance notes 1/	Budgeted under Recommendation #1 and work programs of the Board	Reallocated
4. Realistically explain the Fund's approach to social protection issues in external communications.	Board paper and guidance note	Budgeted under Recommendation #1	Reallocated
	Dedicate more staff to communications on social protection issues and produce new communications products	Reallocated	
5. Engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities.	Board paper and guidance note	Reallocated	Reallocated
	Senior-level Fund staff attendance in SPIAC-B	Reallocated	
<b>Total</b>		2.5 FTE	Reallocated

1/ Refers to the Board paper on the strategic framework and the follow-up guidance note, the Board paper on 2018 Review of Conditionality, and the 2018 guidance note on strengthening social safeguards measures in PRGT and PSI-supported programs.