

# The Pandemic and the Public Sector:

## ActionAid Policy Brief

The IMF has a long history of imposing economic austerity programs on heavily indebted developing countries. Building on our April 2020 report on changes required in how the IMF and governments employ and follow those programs, the need for substantial external debt cancellation, and progressive reforms to tax systems, this briefing looks at how the Covid-19 crises have affected IMF policy “advice,” with a particular focus on constraints on wage bills for providers of public services. Despite some high-flown rhetoric from IMF management, it turns out that the “condition-free” emergency loans from the IMF, distributed from April through July, contain “commitments” from governments to implement new or renewed austerity programs as soon as the immediate health crisis has peaked, with little provision for any recovery period. And despite the virus exposing the manifest shortcomings of developing country health systems, wage bills remain a target for rapid cuts once the initial stages of the crisis are over.



# Introduction

In April 2020, ActionAid published [Who Cares for the Future: finance gender-responsive public services!](#) which examined the impact of tax, debt and IMF austerity policies on the financing of public services and on the burden of women's unpaid care and domestic work.

One of the most startling statistics revealed that in 78% of low-income countries<sup>1</sup>, the IMF had advised countries to cut or freeze public sector wage bills in the previous three years. We showed that this is preventing developing countries investing in health workers and acting as a major block for countries seeking to achieve the Sustainable Development Goals (SDGs) by 2030.

Today, in a world facing the unprecedented health and economic crises triggered by Covid-19, it becomes even more urgent to address these constraints. Most developing countries faced shortages of doctors, nurses, teachers, and other public sector workers before the pandemic. As Covid-19 and its impacts deepen pre-existing inequalities and expose the vulnerabilities in our social, political and economic systems, investing in the public sector is more critical than ever before. Clearly more nurses and doctors are needed, but care workers for the very young and elderly have also assumed a more important role and more teachers are urgently required if schools are to re-open for all children with social distancing in place.

Our *Who Cares for the Future* report was launched at the IMF's virtual April meetings and it has sparked mounting interest since then. We have held direct discussions with senior IMF officials, corresponded with the Managing Director Kristalina Georgieva and called for a specific review by the IMF's Independent Evaluation Office. Many prominent NGOs and unions have joined calls for action by the IMF on public sector wage bills. National policy briefs based on the original report have been produced in 23 countries and there was a coordinated programme of national launches on 23rd June, UN Public Services Day, together with Public Services International and their affiliates. We have received thanks from the President's office in one West African country and have been asked to advise Ministries of Finance in others.

Most of the data for our original *Who Cares for the Future* report was based on research completed in September 2019, so it is timely to update the evidence base we have built on the role of the IMF in constraining public sector wage bills. Moreover, we wanted to see whether there is any evidence of a shift in their thinking or practice since the onset of Covid-19. We therefore, reviewed all relevant "new" (since September 2019) IMF reports for the 56 countries<sup>2</sup> in our original study, including those which have received emergency loans from the IMF.<sup>3</sup> This policy brief offers a concise summary of our latest findings.

## References:

<sup>1</sup> In a review of IMF country documents for 2019, we found that of 23 low income countries (covering all the LICs with sufficient data available), seven (30%) expected to cut wage bills, 11 (48%) were freezing wage bills. Only five (22%) planned to increase wage bills.

<sup>2</sup> We reviewed all low-income countries and a cross section of middle-income countries.

<sup>3</sup> <https://www.oxfam.org/en/international-financial-institutions/imf-covid-19-financing-and-fiscal-tracker>

# The IMF and Covid-19

There is no doubt that Covid-19 has been the major concern of the IMF since March 2020. In March and April, the IMF issued a torrent of statements, and its officials wrote a large number of blogs, trying, before and at its April meetings, to state just how big the danger from Covid-19 was.

IMF Managing Director Kristalina Georgieva's main blog during those meetings was titled "A Global Crisis Like No Other Needs a Global Response Like No Other" and stated "*The outlook is dire. We expect global economic activity to decline on a scale we have not seen since the Great Depression. This year 170 countries will see income per capita go down—only months ago we were projecting 160 economies to register positive per capita income growth.*"<sup>4</sup> The IMF would work with other international institutions and the private sector, she wrote, "*to help countries steer through this crisis and emerge more resilient.*" Her closing words were: "*This is a moment that tests our humanity. It must be met with solidarity. There is much uncertainty about the shape of our future. But we can also embrace this crisis as an opportunity—to craft a different and better future together.*"

The IMF's Chief Economist, Gita Gopinath, complemented Georgieva's blog with her own, accompanying the IMF World Economic Outlook, its flagship semi-annual publication. It fleshed out Georgieva's statistics, saying that global growth was predicted to fall to -3%, "a downgrade of 6.3 percentage points from January 2020."<sup>5</sup> In dollar figures, the loss to global GDP over 2020-21 was forecast at \$9 trillion. Those numbers were updated in July 2020 to -4.9% and \$12 trillion.<sup>6</sup>

These candid assessments were useful in spurring some action, first within rich countries that began or continued to use large stimulus packages for their economies, and then with the G20 leaders and finance ministers, who with uncharacteristic alacrity and decisiveness announced a debt suspension by bilateral creditors available to some 73 developing countries. As welcome as that was, it was very far from sufficient to deal with the crisis: it deals only with bilateral (government-to-government) debt, excludes badly-hit middle-income countries, merely postpones debt payments, and is due to conclude at the end of 2020, though it is likely to be extended at the October G20 Finance Ministers meeting, albeit with the same or similar terms.

So far in 2020 the IMF has distributed 73 emergency loans to 69 countries (some got two) offering rapid financing for countries seeking to respond to Covid-19, with just over \$29 billion disbursed, which is far short of the \$1 trillion in "firepower" that Georgieva promised in April. But UNCTAD's recently published Trade & Development Report provides harsh reminders of how challenging the environment really is:

The ILO estimates that more than 500 million jobs worldwide have been put in jeopardy by the crisis mainly in the developing world, and while many jobs will return with the end of workplace closures, some will be permanently lost; at least 100 million jobs will have gone entirely by year end. Furthermore, between 90 million and 120 million people will be pushed into extreme poverty in the developing world. With hunger and malnutrition certain to follow, while income gaps will widen everywhere.<sup>7</sup>

The disproportionate impact of the Covid-19 crises on women also needs to be urgently recognized and attended to, as do the unfortunate synergies created when two arenas of crisis — Covid-19 and climate change — collide and combine to make things worse in both.

## References:

<sup>4</sup> Kristalina Georgieva, "A Global Crisis Like No Other Needs a Global Response Like No Other" 20 April 2020, <https://blogs.imf.org/2020/04/20/a-global-crisis-like-no-other-needs-a-global-response-like-no-other/>

<sup>5</sup> Gita Gopinath, "The Great Lockdown: Worst Economic Downturn Since the Great Depression," 14 April 2020, <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

<sup>6</sup> Gita Gopinath, "Reopening from the Great Lockdown: Uneven & Uncertain Recovery," 24 June 2020, <https://blogs.imf.org/2020/06/24/reopening-from-the-great-lockdown-uneven-and-uncertain-recovery/>

<sup>7</sup> United Nations Conference on Trade & Development (UNCTAD), Trade & Development Report 2020: From Global Pandemic to Prosperity for All: Avoiding Another Lost Decade (Overview), Geneva: September 2020, [https://unctad.org/en/PublicationsLibrary/tdr2020overview\\_en.pdf](https://unctad.org/en/PublicationsLibrary/tdr2020overview_en.pdf), p. 2.

# Our New Research

Our previous research looked broadly at IMF loan documents and policy advice for the impact of wider measures (such as inflation and deficit targeting as well as wage containment) on public spending. This new research focuses specifically on the consequences and shifts (if any) in IMF advice and impacts on public sector wage spending by developing country governments.

The research began with a review of new program documents issued since August 2019 for the 56 countries in our original report<sup>8</sup>. For documents published after March 2020 we specifically looked for whether there was a shift in light of the Covid-19 health and economic crises globally. Our review also looked at the document details of 40 (including all 30 for sub-Saharan Africa [SSA]) of 74 IMF emergency loans listed in a just-published Oxfam database.<sup>9</sup>

Our analysis as elaborated below found that despite temporarily deviating from classic austerity measures to aid countries' Covid-19 recoveries, **the IMF has extracted pledges from most recipients to return to or adopt austerity as soon as the pandemic recedes (in SSA, 25 of 30 countries promise a full reset, and four more promise a partial one)**. These conditions, with a few notable exceptions, will reduce or freeze public sector wages and seriously constrain public spending during what would otherwise be the countries' economic recovery period.

# Our Overall Findings

The IMF's Covid-19 emergency funds are being used for a range of purposes. Because other donors, and in particular the World Bank, are also making loans, the IMF is not always directly funding health system improvements, but rather economic measures like cancelling taxes on medical imports, covering the costs of limited social protection measures, and providing relief food supplies. But in other cases, the IMF funds are used for purchasing drugs and medical equipment (including intensive care beds, respirators, personal protective equipment [PPE]), and building infrastructure such as testing labs. In a few cases they also support hiring medical personnel, but this is the exception rather than the rule.<sup>10</sup>

This is in line with two key IMF guidance documents issued recently – their Guidance on Health Spending Priorities<sup>11</sup> and 'How to operationalise IMF engagement on social spending during and in the aftermath of COVID'.<sup>12</sup> These emphasise PPE, respirators and intensive care beds and make very little reference to addressing shortages in health care workers. Of course, equipment is very important, but there are equity issues that need to be considered. Intensive care beds and respirators are more likely to benefit the urban middle class – whereas for people living in poverty in rural or marginal urban communities, addressing the desperate shortages of nurses and other public health professionals might be the priority.

The documents attached to the loans are substantial, including economic analysis such as debt sustainability. The question of how "binding" they are is vexed, as it is with most IMF documents: the IMF often doesn't punish countries directly for failure to meet conditions, though "international markets" may use the information to restrict access to credit; at any rate these emergency loans have been advertised as coming "without conditions."

## References:

<sup>8</sup> Including all low-income countries and a cross section of middle-income countries.

<sup>9</sup> <https://www.oxfam.org/en/international-financial-institutions/imf-covid-19-financing-and-fiscal-tracker>

<sup>10</sup> The IMF documents in just 5 out of 30 countries in Africa reference increases in hiring personnel. However, increases could of course be financed by government or other donors.

<sup>11</sup> IMF Fiscal Affairs, Special series on fiscal policies to respond to Covid 19: Managing the Impacts of the Coronavirus: Guidance on Health Spending Policies

<sup>12</sup> IMF Sept 2020 'How to operationalise IMF engagement on social spending during and in the aftermath of COVID'

<https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2020/09/14/How-to-Operationalize-IMF-Engagement-on-Social-Spending-during-and-in-the-aftermath-of-the-49718>

Indeed, the country loan documents do not mention conditions, but they reveal an IMF focused above all on emphasizing the **temporary nature** of this spending, and the need to return to even deeper austerity programs, usually based on existing or new IMF programs.

Despite the fact that these moves are not framed as “conditions,” the IMF’s obvious push for the use of the word **“commitment”** in most countries certainly suggests an obligation on the governments’ side.

Again, the IMF’s ‘How to Notes’<sup>13</sup> reinforce this, outlining three phases – containment, stabilisation and recovery. Even in the initial **containment** period it is argued that any spending must be looked at ‘in the context of fiscal sustainability’. In the **stabilisation** period countries should start to assess the medium-term affordability of the crisis response measures (considering fiscal sustainability). In the **recovery** period it is observed that ‘countries might seek to significantly scale back spending on health services’. No timeframes are attached to these stages, but the trajectory is clear.

Virtually every country receiving an IMF emergency loan has a section like Ghana’s, stating: *“The government remain fully committed to maintaining macroeconomic stability and will pursue medium-term policies consistent with fiscal consolidation.”*<sup>14</sup> “Fiscal consolidation” in the IMF’s lexicon means austerity programs.

“Recovery” in the emergency loan documents generally means the period following the abatement of the health crisis, and it seems clear that reaching this stage will trigger a rapid return to austerity. There are serious concerns about how soon the IMF expects this recovery stage to start. Indeed, most emergency loan documents assume that recovery will be underway by the beginning of 2021. This fails to recognise the trajectory of the pandemic and its economic effects (particularly from second waves of the virus). Some loan documents – Rwanda’s and South Africa’s, for example – speak of a two-year horizon, and Uganda’s speaks of increased health spending for the “medium term”,<sup>15</sup> but these are exceptions. Rushing back to austerity before the pandemic is even over, or any real recovery has taken root, could have a devastating impact.

There are glimmers of alternative thinking from policy staff and the IMF leadership where this return to austerity is challenged. An “FAQ” [frequently-asked questions] on the IMF’s Covid-19 response<sup>16</sup> argues *‘Countries should also be ready for fiscal stimulus to lift demand and help the economy to come back’*. Kristalina Georgieva has also recently warned: *‘Just as they [indebted countries] are starting to recover from the pandemic, many of these countries could suffer a second wave of economic distress, triggered by defaults, capital flight, and fiscal austerity. Preventing such a crisis can make the difference between a lost decade and a rapid recovery that puts countries on a sustainable growth trajectory.’*<sup>17</sup>

This clearly contradicts what we have seen in most other IMF guidance and sadly the real test is what happens where the rubber meets the road in country level agreements – and these are all pointing in the same direction: towards the IMF steering countries to a new era of austerity. We know that the staff dealing with country loans are often not in sync with the headquarters policy department, but **this is a gross contradiction, and one which matters a great deal when an unprecedented global economic crisis is underway.**

It may be that the IMF is recommending one set of policies for rich countries and another set for low- and middle-income countries. When the Covid-19 crisis first hit, the IMF published what at first seemed a very sensible lists of actions that governments could take.<sup>18</sup> It soon became clear, however, that developing country governments were in no position to take many of them (e.g. ramping up liquidity in markets) in the absence of assistance; these recommendations were primarily for rich governments. Advanced economies have thus seen relatively generous spending on social protection and jobs measures – valued at about \$121 per person – but developing countries have only been able to spend \$1 per person.<sup>19</sup>

#### References:

<sup>13</sup> ibid

<sup>14</sup> IMF, “Ghana: Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Ghana,” p. 36-37, <https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Ghana-Request-for-Disbursement-Under-the-Rapid-Credit-Facility-Press-Release-Staff-Report-49337>

<sup>15</sup> IMF, “Uganda : Request for Disbursement under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Uganda,” 14 May 2020, p. 29, <https://www.imf.org/en/Publications/CR/Issues/2020/05/14/Uganda-Request-for-Disbursement-under-the-Rapid-Credit-Facility-Press-Release-Staff-Report-49427>.

<sup>16</sup> “FAQ: The IMF’s Response to COVID-19,” 29 June 2020, <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#Q4>

<sup>17</sup> Blog published on 1st October, by Kristalina Georgieva and two colleagues “Reform of the International Debt Architecture is Urgently Needed,” [https://blogs.imf.org/2020/10/01/reform-of-the-international-debt-architecture-is-urgently-needed/?utm\\_medium=email&utm\\_source=govdelivery](https://blogs.imf.org/2020/10/01/reform-of-the-international-debt-architecture-is-urgently-needed/?utm_medium=email&utm_source=govdelivery)

<sup>18</sup> “Policy Steps to Address the Corona Crisis,” <https://www.imf.org/-/media/Files/Publications/PP/2020/English/PPEA2020015.ashx>

<sup>19</sup> “Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures,” <https://openknowledge.worldbank.org/handle/10986/33635>.

There is widespread concern about the move back to austerity in developing countries. In the 2020 Trade and Development Report UNCTAD warns:

*If governments opt for premature fiscal tightening in an attempt to bring down public debt and businesses adopt an aggressive cost-cutting strategy in an attempt to boost exports, the recovery will likely fizzle out, with a double-dip recession a real possibility in many countries in 2022.*<sup>20</sup>

And ultimately, says UNCTAD,

*The urgent need for increased health spending along with declining tax revenues, combined with a collapse in export earnings and pending debt payments has exposed a \$2-3 trillion financing gap in the developing world which the international community has, so far, failed to address. **There is a very serious danger that the shortfall will drag developing countries into another lost decade** ending any hope of realizing the ambition of the 2030 Agenda for Sustainable Development.*<sup>21</sup>

It is striking that Georgieva has recently echoed this reference to “another lost decade” – which refers to the 1980s in developing countries (and for many in Africa, also the 1990s), termed lost decades because of the economic standstill, including massive erosion in public services, caused by IMF “structural adjustment” (austerity) programs that halted economic development in the name of “stabilization.” These programmes particularly disadvantaged women whose unpaid care work rose as public services failed and who lost key employment opportunities.<sup>22</sup> With the growing climate catastrophe the effects of another lost decade would be even worse. Georgieva’s implicit acknowledgment of this is a positive sign but we urgently need to see substantial change in IMF practice.

For now, reasserting austerity so soon also betrays a lack on institutional learning. The IMF’s own Independent Evaluation Office report of the IMF’s response to the 2007/8 financial crisis celebrated its role in supporting a global fiscal stimulus and criticised the IMF for endorsing a premature return to fiscal consolidation.<sup>23</sup> Surely the IMF will not make the same mistake again?

It is clear that with the debt crisis faced by many governments, especially in Africa, even before the pandemic, they will be handcuffed by the debt arising from the emergency loans and the finance they will need after that. These loans at least should be converted into grants. The pandemic is not only the very definition of an exogenous economic crisis (caused by external, unpredictable factors), but a world-historical moment. Will the IMF and the rest of the international community, respond with the “solidarity” Georgieva promised, or will they continue to let Africa and the rest of the developing countries, already subjected to 500 years of exploitation, experience another period of devastating loss and stagnation?

Two immediate steps that need to be initiated on debt – in addition to grant conversion and outright debt cancellation where warranted – are the creation of a comprehensive, fair, and impartial debt workout mechanism housed at the UN or independently and a shift in the IMF/World Bank debt sustainability analyses (DSAs) away from determining how much can be squeezed out of countries to what they can afford to pay after attending to the human rights of their people to quality gender-responsive public

#### References:

<sup>20</sup> UNCTAD, Trade and Development Report 2020, p. 3.

<sup>21</sup> *ibid*

<sup>22</sup> See for example this 2018 piece from the Gender and Development Network

<https://static1.squarespace.com/static/536c4ee8e4b0b60bc6ca7c74/t/5ac4d94470a6adfc8c898db6/1522850118055/Submission+to+IE+on+austerity+Gender+%26+Development+Network.pdf>

<sup>23</sup> IEO, IMF Response to the Financial and Economic crisis

<https://ieo.imf.org/en/our-work/Evaluations/Completed/2014-1027-imf-response-to-the-financial-and-economic-crisis>

# Our findings on public sector wage bills

Our April report identified serious shortages of public sector workers, especially in the fields of health, education and care work – and proposed practical solutions for financing massive expansion in these areas in order to accelerate progress towards the SDGs. We focused on the best bets for increasing domestic resources: progressive taxation reforms that could raise substantial revenue without harming the most vulnerable, and debt rescheduling and cancellation carried out impartially and with all relevant parties through a global workout mechanism.

However, the report also showed that the IMF's austerity conditions or policy advice through program loans and surveillance reports acted as a direct block, preventing most countries from recruiting more public sector workers. This was most obvious through IMF recommendations for public sector wage bill containment, a frequent topic of IMF advice in both its program loans and in its surveillance ("Article IV reports"), though it does not feature significantly in most IMF emergency loans.

At least four country emergency loan documents do mention public sector wage bills. Lesotho, which has not had an IMF program since 2013, pledges to reduce the wage-to-GDP ratio over the medium term; Mozambique says it will freeze wage increases in 2020 except for health workers; Jordan says it will "find savings" in the wage bill; and Ecuador will adopt "a hiring freeze, except for priority sectors, non-renewal of occasional and provisional contracts expiring in March, suspension of payment authorizations for overtime work in the public sector."<sup>24</sup>

These pledges do not appear in the corresponding program documents for the countries, meaning they were added specifically during the framing of the emergency loan.

Our original report found that 78% of low-income countries (with sufficient data) were advised to freeze or reduce the amount spent on wages, regardless of how desperately public services needed more personnel.<sup>25</sup>

A similar trend is present in the recent documents reviewed (since September 2019). Indeed, the corresponding figure is 90%. Overall, just thirteen countries had reviews with at least some comparable data for both 2018-19 and 2019-20 with a new clear steer evident in just ten countries.

The table below compares the results we tracked in *Who Cares for the Future* (2019 target for public sector wage bills) with those that could be gathered from documents published over the last year. The arrows indicate whether the IMF accepts that a country needs to raise its wage bill (↑), expects it to remain about the same (↔), or recommends that it be cut (↓).

We do not find significant changes in IMF advice when compared to our earlier findings, though we do see some unanticipated movements in the percentage of the wage bill as a percentage of GDP.

## References:

<sup>24</sup> IMF, "Ecuador: Request for Purchase under the Rapid Financing Instrument and Cancellation of Arrangement under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for Ecuador," 28 May 2020, p. 14, <https://www.imf.org/en/Publications/CR/Issues/2020/05/28/Ecuador-Request-for-Purchase-under-the-Rapid-Financing-Instrument-and-Cancellation-of-49460>.

<sup>25</sup> See page 2



Country	2019 Estimate wages as % to GDP+ IMF steer	2020 Estimate+ IMF steer	2023 Estimate
Burkina Faso	9.9↓	9.8	n/a
Chad	6.7↓	7.0	n/a
Colombia	5.0↔	5.3	n/a
Comoros	5.5↑	5.8↑	5.9
Ecuador	9.4↓	9.5↓	9.2
Guinea-Conakry	3.6↔	3.5↔	3.6
Jordan	5.1↔	5.3↓	4.9
Malawi	7.4↔	7.3↔	7.3
Mali	5.8↔	5.8↔	5.8
Rwanda	5.8↔	6.1↓	5.5
Sierra Leone	6.2↓	7.3*↓	6.3
Sudan	3.5↔	3.5↔	2.9
Togo	6.7↔	6.7↔	6.9

Source: Review of IMF country documents

\*This large increase is a result of a one-time 30% increase in teachers' salaries and delayed process of 2019 teacher hires.

## Implications for public sector workers in selected countries

The recent program (not emergency loan) documents indicate that some countries have taken extraordinary measures to meet the restrictions on wage bill growth. Burkina Faso recruited 44.5% fewer staff than in had planned in 2019. It also dealt with the problem of poor distribution of teachers not by hiring new ones for understaffed areas but by redeploying some 18,000.<sup>26</sup>

Others resisted. The Chadian government is said to have “broadly agreed with staff views” but insisted on “a need for higher spending on wages and public investment to address the country’s deteriorating security and development needs.” The compromise was to reduce amounts spent on “goods and services,” a term not specific enough to allow judgement. In case the IMF’s bias is not already evident, they report, “[The authorities] also would have liked to have a higher wage bill (+0.2% of non-oil GDP) [...] but agreed to maintain [it] at *reasonable levels*.”<sup>27</sup>

### References:

<sup>26</sup> IMF, “Burkina Faso: Letter of Intent, Memorandum of Economic Financial Policies, and Technical Memorandum of Understanding, 4 December 2019, p. 8, <https://www.imf.org/external/np/loi/2019/bfa/120419.pdf>.

<sup>27</sup> IMF, “Chad : Fifth Review under the Extended Credit Facility Arrangement and Financing Assurances Review-Press Release; Staff Report; Staff Supplement; and Statement by the Executive Director for Chad, 27 December 2019, p. 11, <https://www.imf.org/en/Publications/CR/Issues/2019/12/27/Chad-Fifth-Review-under-the-Extended-Credit-Facility-Arrangement-and-Financing-Assurances-48926>.



In Sudan, public wages are to be increased by 123%, since they have not maintained pace with inflation since 2017. The IMF acknowledged the need, but remained concerned that the wage bill would rise by one percent.

In the December 2019 IMF program document with Cambodia, it writes, *“In order not to crowd out space for development spending, further public wage increases should be carefully targeted to priority functions and good performers and supported by on-going public administration reforms.”*<sup>28</sup> This rather bizarre construction seems to assume that public sector wage increases are somehow de-linked from development spending, when most other actors would see employment of teachers, doctors and nurses as central to development.

A similar construction is evident in Lebanon where, in addition to a general public sector wage and hiring freeze, it is suggested that the government needs to reduce the wage bill in order to increase spending on education. In practice, teacher salaries often make up over 90% of the education budget so it is hard to increase spending on education without increasing wage bills.

## Conclusion

All in all, the IMF continues to see public sector wage spending as a problem rather than a solution. Nowhere is this better illustrated than in the fact, that the IMF does not consider the wages of public employees working in public services or other “pro-development” pursuits to be development spending; that designation is reserved for infrastructure such as schools and books for education, or hospitals, lab equipment and medication for health. If the significance of trained, quality workers for those areas were so recognized, it would be subject to “social spending floors,” which the IMF should, by its own guidelines, not recommend freezing or cutting.

The need for qualified health personnel is being recognized in the emergency programs for COVID-19. When will the IMF go on to recognize that this applies more broadly: education can’t be delivered without qualified teachers, social protection can’t be delivered without trained staff, and so on?

Our latest research reinforces the case for a **comprehensive evaluation** of the IMF’s approach to public sector workers and public sector wage bills. There are some important questions to answer:

- To what extent did public sector wage bill constraints in pre-COVID-19 years leave health systems and other public services prepared to respond to the pandemic and subsequent economic crisis?
- In those countries where there has been greater investment in public services have governments responded more effectively to the health crisis and the subsequent economic crisis than countries where investment has been constrained?
- How has COVID-19 knocked countries off track from achieving the SDGs and human rights obligations?
- What role could scaled-up investments in public sector workforces play in stimulating broad-based economic recovery as well as helping governments get back on track with the SDGs and human rights?

### References:

<sup>28</sup> IMF, “Cambodia : 2019 Article IV Consultation; Press Release; Staff Report; and Statement by the Executive Director for Cambodia,” 23 December 2019, p. 7, <https://www.imf.org/en/Publications/CR/Issues/2019/12/23/Cambodia-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-48912>.



- Has the public health crisis triggered by COVID-19 led IMF staff to reconsider the role of the public sector in the provision of public health and other services?
- Have privatised health services been able to respond to Covid-19 in a sufficiently coordinated and effective way?
- Is there an unconscious bias or group-think in the IMF around the public sector workforce in general and public sector wages in particular?

Covid-19 is the moment for a fundamental re-think by the IMF, the time to move away from past policies, norms and practices which have left so many countries so ill-prepared for this health and economic crisis. This should be seized as an opportunity for a complete reframing – moving away from past dogma such as the excessive attachment to GDP growth as the only measure that matters.

What the emergency loan documents as well as the recent program documents of the IMF reveal is an organization that is comfortable only with responding to the immediate health crisis, and, ironically given that it's the IMF, not the devastating post-pandemic economic crisis that the health crisis is giving rise to. For all of Georgieva's talk of crafting "a different and better future together," **the IMF has exposed itself in its actual emergency response as having just one tool: austerity.** Confronted with a once-in-a-century economic crisis requiring major global systemic overhauls, the world's premier macroeconomic institution scratches its head and seems to suggest that it can offer no alternative.

In a situation of global economic crisis when the welfare of billions hangs on economic policy decisions, the lack of imagination at the IMF will be lethal. Perhaps it is time to find a way for global agencies other than the IMF, such as UNCTAD or the UN Development Program (UNDP), whose mandate goes beyond maintaining a particular definition of economic rigor to value development and global welfare, to take a more active, even a leading, role in devising recovery plans for developing countries. Governments should consider insisting on having the UN's voice in the program negotiations.

As our *Who Cares for the Future* report argued: it is time to factor in women's unpaid care and domestic work, which remains invisible in economic measurements but profoundly significant in people's lives; it is time to face the climate crisis and factor in natural resource constraints; and it is time to factor in the fulfilment of human rights and development goals. What use is a stable economy that perpetuates gross injustices and inequalities? It is time for citizens everywhere to pressure their governments and international institutions to adopt social and economic policies that value and care for both people and the planet.