



Seminar

IMF and Trade Unions

Deepening the dialogue and fine tuning our policies

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Outline of the presentation

- ▶ The role of the IMF in the Sub-Saharan Africa
- ▶ The dialogue between the IMF and the trade unions and labor associations
- ▶ The role of the IMF in the context of the September 2010 riots

The role of the IMF in the Sub-Saharan Africa

- ▶ The role of the IMF in the Sub-Saharan Africa is to help the authorities to achieve and sustain macroeconomic and financial stability necessary to promote economic growth and reduce poverty.
- ▶ These objectives are achieved through three main activities:
 - ▶ Advice in the selection and implementation of macroeconomic policies.
 - ▶ Financial support, which was recently revamped and streamlined.
 - ▶ Training and capacity building.

The role of the IMF- Policy advice

- ▶ Macroeconomic advice given on a regular basis to all member countries through annual/bi-annual consultations : Article IV consultations:
 - ▶ The IMF also undertakes specific consultations in the financial sector area through the FSAP (Financial Sector Assessment Program), normally conducted jointly with the World Bank, and the assessments of accounting and fiscal systems (ROSCs).
- ▶ Macroeconomic advice also provided in a more frequent way to countries implementing programs with or without any financial support attached to:
 - ▶ A mechanism that has turned out to be common practice among many African countries is the adoption of the Policy Support Instrument (PSI);
 - ▶ PSI countries do not receive any financial support;
 - ▶ The IMF assessments serve to signal the civil society, private sector and development partners on the quality of government's actions in the context of program implementation.

The role of the IMF – Financial support

- ▶ **The financial support is provided through a set of varied programs:**
 - ▶ Extended Credit Facility (ECF): replaced the old PRGF and is tailored to countries facing problems that need to be resolved in the long-run, which.
 - ▶ Sao Tome and Principe currently has an ECF which expires in 2012.
 - ▶ Stand-by Credit Facility (SCF): tailored to countries facing short-term balance of payments problems.
 - ▶ This is the case of Angola.
 - ▶ Rapid Credit Facility (RCF): tailored to countries in urgent need of resources to cope with natural disasters, post-conflict emergencies, and macroeconomic shocks.
 - ▶ Mozambique also benefited from the previous version of the RCF (named ESF) during 2008-09 as a result of the surge in the global prices of food and fuels.

The role of the IMF – Training and Capacity building

- ▶ The IMF also promotes training and capacity building actions in many areas:
 - ▶ Financial and macroeconomic programming, monetary and fiscal policies;
 - ▶ Capacity building
 - ▶ Central banks : monetary programming, banking supervision
 - ▶ Ministries of Finance: tax administration, tax policy, state financial administration systems,
 - ▶ Statistics offices, in the area of National Accounts.

- ▶ The Sub-Saharan African is recipient of the major share of resources aimed at training and capacity building:
 - ▶ About 1/3 of the field services are channeled to the African continent.
 - ▶ An increasing share of these resources is now allocated through regional training centers (AFRITACs):
 - ▶ *AFRITAC East (Kenya, Rwanda, Tanzania, Uganda), whose headquarters is located in Dar es Salaam.*
 - ▶ *AFRITAC West, (WAEMU : Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo as well as Guinea and Mauritania). The headquarters is located in Bamako (Mali).*
 - ▶ *AFRITAC Center (CEMAC—Cameroon, Chad, Central African Republic, Equatorial Guinea, Gabon and Republic of Congo – as well as Burundi and DR Congo. Sao Tome and Principe should begin soon its participation at the Center.*
 - ▶ *Two AFRITACs are to be open soon. One in Ghana, which will benefit Cape Verde, and another one in Mauritius, which will serve Mozambique.*

- ▶ Our local office in IMF undertakes a focal role in the coordination of the technical assistance provided by the Fund in Mozambique, namely in the areas of tax administration and public finance.

IMF and Trade unions : Deepening the Dialogue

- ▶ Throughout the last decade, the IMF committed itself to broaden its interaction with an enlarged variety of institutions, a part from central governments, with whom it regularly maintains working relationships:
 - ▶ This group of new actors includes parliamentarians, academia, NGOs and the trade union movement.
- ▶ This is part of an initiative aimed at gaining new perspectives on the economic development in a way to make them reflected in the IMF policies.
- ▶ There has been a 2-way dialogue:
 - ▶ We explain our policies and learn to listen from our counterparts.

IMF and Trade unions : Deepening the Dialogue

- ▶ The trade union movement has clear constituencies and functions and positions itself as a valid vehicle to channel the worries of its grass roots:
 - ▶ The IMF recognizes the trade unions as valid counterparts.
- ▶ Our interaction with the trade union movement was formalized at the end of the past decade with the establishment of a formal dialogue mechanism with the organizations that preceded ITUC:
 - ▶ Jointly with the World Bank, we gave rise to a dialogue process during our Annual Meetings, at which a meeting between the leadership of the international trade union movement, the IMF Managing Director and the World Bank's President takes place every two years.

IMF and Trade unions: Fine Tuning Policies

- ▶ At the same time, we also intensified outreach with trade union organizations at the national level.
 - ▶ Our work is based not only in regular visits (named missions) but also consists of teams continuously dedicated to countries (as it is my case) working full-time with the authorities.
- ▶ Our dialogue has intensified even more since 2007 and in particular in the wake of the global 2008-09 financial crisis.
- ▶ Finally, the broadening of our joint work with the International Labor Organization (ILO), the multilateral institutions extensively devoted to issues related to labor markets and employment.

The role of the IMF in the context of the September 2010 riots

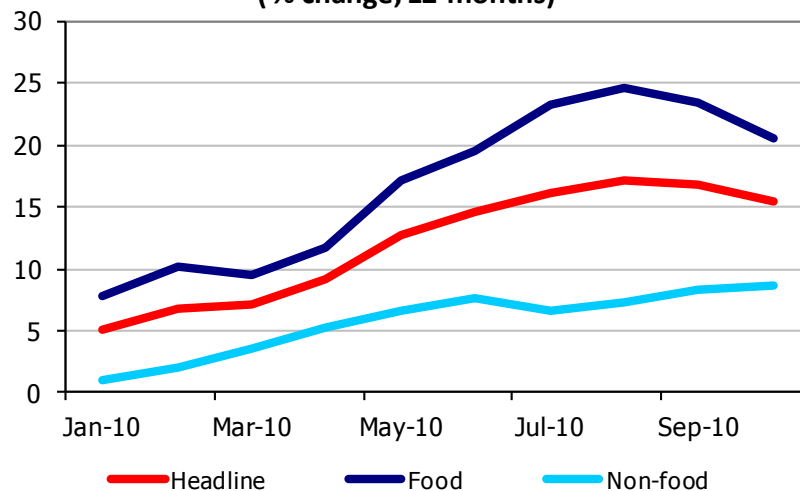
- ▶ The September 2010 riots were triggered by the simultaneous rise in various administered prices which followed an increase of the already high living costs as a result of the rising inflation observed during this year.
- ▶ Similarly, protests took place in 2008 as a result of the significant price increases, particularly of food and fuels.

Trends in liquid fuel prices, Mar'10 to Oct'10

	Mar-10	Oct-10	Change (in %)
Gas	26.57	40	50.5
Diesel	24.7	30.98	25.4
Kerosene	17.92	24.11	34.5

Source: Ministry of Energy.

Maputo headline inflation, Jan '10 to Oct '10
(% change, 12 months)



Source: National Statistics Institute (INE).

The role of the IMF in the context of the September 2010 riots

- ▶ Both riots bring about important lessons that we've been referring to in our policy advice to the authorities and that reflect our strategic vision:
 - ▶ The macroeconomic stability is an essential condition to preserve workers' income and social peace;
 - ▶ The short-term measures to alleviate the impact of living cost should be targeted to the most vulnerable segments of the population, temporary and easily revertible;
 - ▶ In the medium-term, policies that ensure economic stability should be complemented by the implementation of reforms that promote a higher, sustained, and socially inclusive growth.
 - ▶ The improvement of the social safety nets is an important element of these reforms.

Thank You!

