

2/769

JuWi
IMP

Occasional Paper No. 58

The Implications of Fund-Supported Adjustment Programs for Poverty

Experiences in Selected Countries

By Peter S. Heller, A. Lans Bovenberg, Thanos Catsambas,
Ke-Young Chu, and Parthasarathi Shome



International Monetary Fund
Washington, D.C.
May 1988



Contents

	<i>Page</i>
Prefatory Note	v
I. Introduction	1
II. The Sample Countries and Programs	3
Characteristics of Poverty in the Seven Sample Countries	
The Sample Programs	
III. Some Methodological Issues in the Analysis of the Impact of Adjustment Programs on Poverty	7
Basic Methodology of the Study	
The Impact of Policy Measures on Poverty: An Overview of Channels	
Some Conceptual and Empirical Questions	
Choice of Time Frame: Stabilization Versus Structural Adjustment	
Limitations of the Data Base	
The Analytical Implications of a Significant Informal Sector	
Attribution of Policies Under a Fund-Supported Program	
Methodology on Using a Poverty Typology to Assess Adjustment Programs	
IV. Macroeconomic and Other Nonfiscal Policies and Their Implications for Poverty	14
Money and Credit Policy	
Price Policy	
Labor Market Policies	
Exchange Rate Policy	
Other External Policies	
V. Fiscal Policy Measures and Their Implications for Poverty	22
Expenditure Measures and Their Implications for Poverty	
Current Expenditure: Wages and Salaries	
Current Expenditure: Price Subsidies	
Capital Expenditures	
Developments by Functional Classification	
Revenue Measures and Their Implications for Poverty	
Taxes on Income, Profits, and Property	
Taxes on Goods and Services	
Taxes on International Trade	
Tax Administration	

	<i>Page</i>
VI. Lessons of the Review	32
The Poverty Effects of Adjustment Depend on the Structure of Poverty and on the Policy Mix	
Poverty Alleviation Requires Supply-Side Policies and Adjustment Assistance (or Compensatory Measures)	
Concluding Thoughts	
Appendix. Summary of Country Case Studies	35
References	41
TABLES	
Section	
II.	
1. The Sample Countries: Economic and Social Indicators	4
2. The Socioeconomic Characteristics of Major Poverty Groups	5
3. The Sample Programs	5
IV.	
4. The Sample Countries: Macroeconomic Targets and Trends ^{1,2}	15
5. The Sample Countries: Credit Policy Summary	16
V.	
6. The Sample Countries: Fiscal Policy Summary	23
7. Income Tax Measures in Sample Programs	28
8. Tax and Nontax Measures on Domestic Goods and Services in Sample Programs	29
9. International Trade Tax Measures in Sample Programs	30
CHART	
Section	
III.	
1. Assessment Matrix of Impact on Poverty of Adjustment Programs	13

The following symbols have been used throughout this paper:

... to indicate that data are not available;

— to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;

- between years or months (e.g., 1984-85 or January-June) to indicate the years or months covered, including the beginning and ending years or months;

/ between years (e.g., 1985/86) to indicate a crop or fiscal (financial) year.

"Billion" means a thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.